RETAIL BUSINESSES AND SATISFACTION OF CONSUMERS’ PRODUCT NEEDS:  
A SURVEY OF IKOSI AREA OF LAGOS STATE, NIGERIA

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ABSTRACT

In line with its central objective, this paper has assessed the extent to which retail businesses had satisfied societal product needs in Ikosi Area of Lagos State. The study adopted investigative survey method. Data for analysis were generated through structured questionnaire administered on a sample population of fifty respondents selected from the study area. Questions in the questionnaire related to retail businesses and their efforts at satisfying customers’ product needs, and the extent such needs had actually been met in business relationships between the businesses and their customers within the study area. Purposive sampling technique was used to select sample for the study. The survey instrument contained statements structured to elicit relevant information on retail businesses’ satisfaction of societal product needs in the study area. Responses were collated and analyzed via correlation and regression analysis. The results showed insignificant negative relationship between retail business activities and satisfaction of societal product needs, and that expansion of retail businesses in the area had not significantly improved consumers’ welfare. Further, no line of divide existed between retail business and customers because most operators were also customers to some other retail businesses. Consequently, the study emphasized, among other things, the need for retail businesses in the area to evolve more formal and rudimentary strategic approach in their business relations with the society.

Key Words: Retail businesses, Satisfaction, Society, Product needs.

1. Introduction

Business does not operate in isolation. As a social institution, business has an intricate and important relationship with the society with which it interacts (Hellman et al., 1999). For the business, the main purpose of such interactions is to maximize profit and well-being of a firm’s constituents. The sole aim of customers of the business is to enhance their well-being from the utility they derive from consuming the firm’s products. The mechanism of interaction is exchange of money and product (value) between the customers and the business. This typifies interdependence between profit-oriented businesses and consumers of their products. Therefore, the extent to which the business achieves its profit and stakeholders’ wellbeing objectives will be influenced by its ability to enhance the satisfaction and well-being of customers of its products.

The dynamic environment in which a business operates provides opportunities for it to grow, develop and create value and wealth. The primary concern is how the business affects people and natural environment as it produces and sells products necessary to satisfy customers, stakeholders and other constituents. By building key stakeholder relationships among government agencies, consumer entities, environmental groups and other constituents, a business can anticipate and manage issues and concerns that might otherwise have gone undetected until they had grown into major problems (Rainey, 2008). These are essential for satisfying consumers’ needs.

Businesses are faced with challenges of target societal considerations which focus on
specific issues that relate to their activities and transactions with employees, customers, shareholders and suppliers among others. Further, societal considerations include protecting the health and safety of the general population, avoiding harm to the natural environment, developing and deploying ethical standards and practices, meeting cultural and social norms, balancing interest of the business with the interests of the society, especially customers, and being a proactive entity (Rainey, 2008).

Political considerations are also of significant relevance as they have direct impacts on the functioning and success of the business. Political and regulatory changes are usually a manifestation of the social and economic conditions and issues. Equally of primary concern to the businesses, their customers and stakeholders are economic considerations. Economic considerations often focus on the direct effects of the exchange of goods and services, the flow of money, and the relationships between the participants. Customers are either satisfied, dissatisfied or have a neutral opinion (KPN Report, 2007). Economic considerations also cover indirect implications of economic activities such as hidden costs of transactions and the externalities borne by the society. In this regard, the most crucial economic questions often pertain to environmental-related impacts. Usually, they are some of the multifaceted negative and unintended outcomes of products, processes and operations.

The foregoing implies that businesses exist to satisfy the needs of their customers, markets, stakeholders, shareholders, and society. Therefore, the solutions they provide should be based on a broad social perspective – the needs of society at large – and thereafter seek to satisfy the particular, which includes markets, employees, and shareholders. However, wide spectrum combines both the broad and the particular.

This paper assesses the extent to which retail businesses have satisfied societal or customers’ product needs in Ikosi Area of Lagos State. Thus, the central objective is to assess the extent retail business in the study area have been able to meet customers’ satisfaction in the locality. In line with this, the relevant questions to be addresses include: What are the basic customer product needs expected to be satisfied by retail businesses in the study area? Are there any potential customer product needs unrecognized by both the business and society? Are the customer product needs of the study area satiable? To what extent has retail business in the study area been able to satisfy its societal retail product needs?

The paper is structured into five sections. Following this introduction is section two, which dwells on conceptual issues and a review of literature relevant to the study interest. Section three discusses the methodology employed for the study. Section four analyses data and discusses the findings, with emphasis on business and economic direct implications. Section five concludes the paper and proffers relevant recommendations.

2. Conceptual Issues and Literature Review

The concept of businesses is legally recognized organizations that provide goods or services, or both, to consumers in a given society. For the study, they are legally recognized small business enterprises that offer one product or the other within the study area. Some of such products may originate from incorporated business organizations. Customers’ needs, in this study, are goods and services (products) of businesses that the individuals at the consuming who engage in exchange relations with the business entities would like the business to produce, and from which such individuals (customers/consumers) certainly will derive satisfaction or utility. In this study, the concept of satisfaction is simply meeting basic expectations of consumers of products of the businesses. As a business term, it is a measure of how goods and services supplied by a business meet or surpass customers’ expectations. Consumer or customer is a person who buys goods or services from a business for consumption purposes. He is a consuming unit in the society. An aggregation of the consuming units constitutes market or society for the product of a business. Thus, societal or consumer satisfaction implies satisfaction of the entire consuming units in the society. Customer satisfaction is an abstract concept and the actual manifestation of the state of satisfaction varies from person to person and product/service to product/service. The state of satisfaction depends on a number of both
psychological and physical variables which correlate with satisfaction behaviours such as return and recommend rate. The level of satisfaction can also vary depending on other factors like other products against which the customer can compare the products of any organization's products (Wikipedia, 2010).

To remain relevant in the market, a business needs to focus its attention on customer-oriented products. The business needs to know what the customers want, and strive to make existing and new products irresistibly simple to the customers. Regular measure of customer satisfaction and loyalty is an appropriate strategy (www.kpn.com). In this regard, Roy (2008) opines that the most successful businesses are providing delight to societies by understanding customers’ specific personal interests, anticipating their needs, exceeding their expectations, and making every moment and aspect of the relationship a pleasant experience.

In the 1980s, customers were more concerned about price reductions and convenience rather than the quality of customer service. However, findings from recent surveys suggest otherwise. A survey by Douglas (2010) has shown that people now attach significant relevance to quality of customer service. According to the survey, 91 percent of customers polled in general surveys showed preference for customer service and product quality over price reduction and convenience. The study further reveals that customers are more tolerant of poor customer relations in service-oriented business like education or banking services, than what they would tolerate in retail business like provision or drug stores. Reasons include relative difficulty in switching service sources, often very time-consuming process involved in service source switching and, perhaps, no viable alternatives in some areas.

A recent American Express survey has equally shown that in retail business, out of 1000 consumers polled in the survey, one-half of the customers will stop doing business with a store after 2 bad experiences while one-quarter of those surveyed would change stores after one bad experience (Douglas, 2010). The study further reveals that customers are more influenced by negative effects of products than positive ones, and that a customer is likely to tell seven to ten people about a disappointment. Similarly, people will spend more money at a company that offers great customer service.

The central issue here is all about giving the customers in the society what they want instead of businesses thinking what customers or society wants. In this regard, Posner (2010) observes that many retail business operate on the unethical principle of customer should buy what is sold or produced. A retail business needs to realize that there are just so many choices in retail that customers do not have to put up with bad behaviour or poor customer relation. Consequently, most customers will consider dealing with the “real person” the ultimate service when relating with a business unit. An apology, a discount, or reward of points from “real person” communication reassures the consumer of quality customer service.

Posner (2010) suggests a form of spiritual method of considering view points of societal product needs, which he disaggregates into three levels, namely: recognition of societal interests and needs, emotional association with societal will and intent, and act in line with satisfying societal product needs. This flows in the descending scale of conception, perception and sensation. When a business inclines to what customers require, and take appropriate action for every product need, it will constantly be making new discoveries about societal product needs which widens its horizons and repositions it for more fruitful business relationship with the society. Thus, developing the subtle sense to perceive every product need of the customer is an important consideration. As the business thrives and that subtle perception grows, it will perceive even the slightest of customer product needs, which is very likely to be the opening of societal greater needs and the business’s corresponding great success and expansion.

Posner (2004) identifies four stages businesses relate to their customers to develop market and products: identify who their customers are, what their needs are and how to attract more of them; identify the social characteristics of the customers and think how to meet the needs of specific social groups; recognize the needs and preferences that any individual would have and address them; and relate to each customer as a unique member of the society who has unique needs, preferences and identity. Guided by these principles,
businesses will be striving to satisfy societal product needs.

Posner (2004) also identifies three view points by which businesses develop market and products. The first sees the market as consisting of a finite number of recognized needs, and they compete to meet these needs. He emphasizes that the growth of any business that approaches the market from this view point is confined to the already established needs of the market. The second sees the market as consisting of needs which exist, but are unrecognized by society and companies, and therefore and unmet. Businesses grow by recognizing those unfulfilled needs, creating a general awareness of them and then meeting them. The third view sees the market from not necessarily creating a new product or a new market. It recognizes that in every business line, there is a gap between what market actually wants and what businesses perceive it wants. That gap represents fertile untapped market potential for any business that can become more conscious of what the market’s actually wants. The effort required is one of careful observation, perception and thoughtfulness.

Businesses need to retain existing customers while targeting non-customer members of the society in the process of satisfying societal products needs. Measuring customer satisfaction provides an indication of how successful the business is at providing products and/or services to the marketplace (Wikipedia, 2010).

A study by Berry, Parasuraman and Zeithaml between 1985 and 1988 delivered a service-quality (SERVQUAL) framework which provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the researcher with a satisfaction "gap" which is semi-quantitative in nature. Cronin and Taylor extended the disconfirmation theory by combining the "gap" described by Berry, Parasuraman and Zeithaml (1991) as two different measures (perception and expectation) into a single measurement of performance relative to expectation.

The usual measures of customer satisfaction involve a sample survey with a set of statements using a Likert scale. The customer is asked to evaluate each statement in terms of their perception and expectation of performance of the service being measured.

The Kano model is a theory of product development and customer satisfaction developed in the 1980s by Professor Noriaki Kano that classifies customer preferences into five categories: Attractive, One-Dimensional, Must-Be, Indifferent, Reverse. The Kano model offers some insight into the product attributes which are perceived to be important to customers. Kano also produced a methodology for mapping consumer responses to questionnaires onto his model. J.D. Power and Associates (an American-based global market research company) provides another measure of customer satisfaction, known for its top-box approach and automotive industry rankings. Their marketing research consists primarily of consumer surveys and is publicly known for the value of its product awards.

Other research and consulting firms have customer satisfaction solutions as well. These include A.T. Kearney's Customer Satisfaction Audit process, which incorporates the Stages of Excellence framework and which helps define a company's status against eight critically identified dimensions. For Business to Business (B2B) surveys there is the InfoQuest box. This has been used internationally since 1989 on more than 110,000 surveys (Nov '09) with an average response rate of 72.74%. The box is targeted at "the most important" customers and avoids the need for a blanket survey.

3. Methodology

To achieve the objective of this study, the investigative survey method was adopted. Data for analysis were generated through structured questionnaire administered on a sample population selected from the study area. The survey instrument related to efforts of retail businesses at satisfying customers’ product needs, and the extent such needs had actually been met in business relationships with the society of the study area. A sample size of 50 respondents was selected for the study via purposive sampling technique which ensured that only concerned members of the study population were considered. Thirty (30) survey statements were contained in the survey instrument contained used to elicit relevant information on retail businesses’ satisfaction of societal product needs in the study area. Copies
of the questionnaire were distributed to the respondents with instructions and guide on how to fill them out. The filled out copies are collected from the respondents and their responses extracted and collated for further processing and statistical analysis. Thus, the study was based on cross-sectional series data.

Simple product moment correlation coefficient was computed to determine the nature and extent of relationship between retail business activities and satisfaction of consumers’ product needs, and a simple regression model of relevant functional relationship between retail businesses and satisfaction of societal wants in the study area. A high positive correlation coefficient implies that a high degree of positive relationship exists between product variety of the retail businesses and satisfaction of products needs of people in the study area. On the other hand, a low positive correlation coefficient implies that a low degree of positive relationship exists between product variety of the retail businesses and satisfaction of products needs of people in the study area. The reverse is the situation for a negative correlation coefficient. Numerical values of model parameters are obtained via least squares (LS) techniques of model estimation. The model is estimated based on the response data generated through the questionnaire. Estimates of model parameters were discussed vis-à-vis a priori theoretical expectations. Thereafter, the estimates were evaluated for significance based on relevant statistics from the regression output. Evaluation outcome leads to acceptance or rejection of research hypothesis, and forms the basis for conclusion and recommendations.

Research Hypotheses

Analysis of the correlation coefficient is to decide on the hypothesis that there is no relationship between retail businesses and satisfaction of customer product needs in the study area. Evaluation of estimates of the coefficients of the regression model is to test the hypothesis that retail businesses have not significantly satisfied customers’ product needs in the study area.

Model Specification

Correlation Coefficient (r)

This establishes the nature and extent of a relationship between retail business and satisfaction of society’s product needs in the study area. The numerical value of the coefficient ranges from -1 to +1 inclusively (-1 ≤ r ≤ 1). Computation of the coefficient was facilitated via software application – Statistical Package for Social Sciences (SPSS).

Functional Relationship and Regression Model

Based on perceived functional relationship between retail businesses and satisfaction of societal product needs, the functional relationship and resulting regression model below are specified.

Functional Relationship

\( PNS_{IALS} = f(RBA_{IALS}) \)

Model

\( PNS_{IALS} = \beta_0 + \beta_1 RBA_{IALS} + \mu \)

where \( PNS_{IALS} \) = Product needs satisfaction in the study area.

\( RBA_{IALS} \) = Retail business activities in the study area.

\( \beta_0 \) and \( \beta_1 \) = Model parameters. \( \beta_0 \) is the level of societal product needs satisfaction that does not depend on retail businesses in the area while \( \beta_1 \) is the proportion of societal product need satisfaction that depends on retail businesses in the area.

\( \mu \) is the stochastic term accommodating influence of other variables that influence societal product needs satisfaction but are not included in the model.

On estimation, the model parameters are expected to have positive sign. That is, a positive level of societal product needs satisfaction is expected in a situation where the retail businesses do not exist in the society. Also, societal product need satisfaction is expected to correlate positively with services of the retail businesses in the study area.

Using the code manual developed from the code guide, responses of the respondents were segmented into dependent and independent variables. Based on the variables, a correlation
coefficient was computed with the aid of the software statistical package, Econometric Views (E-Views). Thereafter, the responses were converted to linear regression function whose model is estimated, based on the resultant data from the code manual, also with aid of E-Views. Results of correlation and regression analyses are discussed in section four below.

4. Analysis and Discussion

Table 4a: Correlation Coefficients

<table>
<thead>
<tr>
<th></th>
<th>PNS\textsubscript{IALS}</th>
<th>RBS\textsubscript{IALS}</th>
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</thead>
<tbody>
<tr>
<td>PNS\textsubscript{IALS} Pearson Correlation Sig. (2-tailed) N</td>
<td>1.000                     0.220                     50                      50</td>
<td></td>
</tr>
<tr>
<td>RBS\textsubscript{IALS} Pearson Correlation Sig. (2-tailed) N</td>
<td>-0.177                     1.000                     0.220                     50                      50</td>
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</table>

Source: E-Views Output

The above result shows that according to the views of the respondents, perhaps a negative but insignificant relationship exists between retail business activities and satisfaction of societal product needs in Ikosi area of Lagos State. A correlation coefficient (r) of -0.177 indicates that a weak negative correlation exists between these two sets of variables in the study area. The negative relationship is insignificant as the output does not indicate a significant relationship.

With respect to correlation coefficient (r = -0.177), there is relationship between retail businesses and satisfaction of societal product needs in the study area. Thus, the alternative hypothesis is accepted while the null hypothesis is rejected.

Table 4b: Regression Result
Dependent Variable: PNS\textsubscript{IALS}
Method: Least Squares

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>115.8981</td>
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<td></td>
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</tr>
<tr>
<td>17.27082</td>
<td>6.343342</td>
<td>0.0000</td>
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<td></td>
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<tr>
<td>RBS\textsubscript{IALS}</td>
<td>-0.246227</td>
<td>0.198075</td>
<td>-1.243096</td>
<td>0.2199</td>
</tr>
</tbody>
</table>

Source: E-Views Regression Output

From the regression result in Table 4b, the estimated simple linear regression model is:

\[ \text{PNS}_{\text{IALS}} = 115.8981 - 0.246227 \text{RBA}_{\text{IALS}} \]

Contrary to expectation, retail businesses exert insignificant negative effect on satisfaction of customers’ product needs in the study area. As expected, the estimated model shows that a positive level of societal product needs satisfaction (\( \beta_0 = 115.8981 \)) is obtainable even in the absence of the retail businesses in the area. The negative coefficient of RBA\textsubscript{IALS} (\( \beta_1 = -0.246227 \)) implies that retail business activities in the study area exerted insignificant negative effect on customer product needs satisfaction.

Consequently, the null hypothesis that retail businesses have not significantly satisfied customers’ product needs in the study area is accepted and the alternative rejected.

5. Conclusion and Recommendations

The analysis in this paper has shown that retail business expansion and satisfaction of customer product needs move in the opposite direction in the study area. It has also shown that such business expansion has insignificant effect on customers’ welfare in the area. The responses showed that only few of the retail business operators had educational qualification up to ordinary level, and many of them have large family sizes. The questionnaire responses further
revealed that there is no line of divide between retail business operators and customers as majority of the respondents filled out both sections B and C of the questionnaire. This strongly suggests that the retail business operators are also customers to other retail businesses in the area for satisfaction of their product needs. This has created the difficulty of a clear distinction between retail businesses and customers. However, result of the analysis is reliable since the retail businesses are also members of the society.

Consequently, the paper emphasizes the need for the businesses to evolve more formal and strategic approach in their business relationships with customers. For instance, they should recognize the sovereignty of the customer. If priority is placed on customer satisfaction, it certainly will contribute no small measure in driving the profitability process of businesses.

References