



CUSTOMER SATISFACTION AND LOYALTY  
TOWARDS GROCERY STORES IN PALESTINE

BY

MAJED M. M. ABUSHARAR

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## **ABSTRACT**

Notably, grocery stores are crucial to the retail industry sphere. They are known as important links in the food distribution system. Some grocery stores have made great strides to work with local producers to benefit consumers and communities as a whole. Palestine, seemingly, has been seen as an exceptional marketplace as the Palestinians have found as time went by, how to bridge between local produce locally and the local market, under certain circumstances. Local producers can market their products via grocery stores and consider establishing a trustworthy relationship with their customers. Although customer loyalty to grocery stores has been extensively studied across the world, Palestine' grocery market sphere has remained untouched. This case study uncovers the underlying critical influencing factors on consumer loyalty towards grocery products marketing in Palestine. This research used a field survey questionnaire. A structured self-administered questionnaire was deployed and data was collected at the end of 2014. To that end, data collection and data analysis procedures are then articulated and the choice of Structural Equation Modeling (SEM) is explained. The findings reveal key parameters of brand strategies along with the relationship and the impact of these strategies as well as other research factors. Concurrently, this study contributes to both grocery store managers and the Palestinian government's aim to realise the perception of the Palestinians about the influential factors that might help them make decisions for future policies on food and other grocery products.

## ملخص البحث

من الملاحظ أن متاجر البقالة باعتبارها جزءا مهما من مجال صناعة التجزئة تمتلك روابط هامة في نظام توزيع الأغذية. وقد قطعت بعض محلات البقالة خطوات كبيرة للعمل مع المنتجين المحليين من اجل المنافع المقدمة للمستهلك والمجتمع ككل. ينظر الي فلسطين علي انها سوق استثنائية. حيث استطاع الفلسطينين مع مرور الوقت ان يدركوا كيفية الربط ما بين الانتاج المحلي والسوق المحلي تحت ظروف معينة. يمكن للمنتجين المحليين تسويق منتجاتهم عبر محلات البقالة مراعين بذلك إقامة علاقة جديرة بالثقة مع زبائنهم. على الرغم من أن ولاء الزبائن لمحلات البقالة قد درست على نطاق واسع في جميع أنحاء العالم، ولكن في فلسطين سوق البقالة لم تتم دراسته مطلقا. تكشف هذه الدراسة العوامل الأساسية المؤثرة على ولاء المستهلك نحو تسويق منتجات البقالة في فلسطين. استخدم هذا البحث استبانة مسح ميداني. تم توزيع استبيان منظم ذاتيا وتم جمع البيانات في نهاية عام ٢٠١٤. وتحقيقا لهذه الغاية، إجراءات جمع البيانات وتحليلها تم توضيحها كما تم تفسير اختيار طريقة نمذجة المعادلات الهيكلية. وكشفت النتائج أن المعايير الرئيسية التي تم تحديدها والتحقيق فيها من استراتيجية العلامة التجارية جنبا إلى جنب مع العلاقة وتأثير استراتيجية العلامة التجارية، فضلا عن عوامل البحث الأخرى سوف تؤثر على رضا العملاء الفلسطينيين والولاء لمحلات البقالة. وفي الوقت نفسه، فإن هذه الدراسة سيكون لها مساهمة كبيرة في وجهة نظر كل من مديري البقالة والحكومة الفلسطينية لفهم طريقة إدراك الفلسطينيين لهذه العوامل المؤثرة التي قد تساعد المدراء والحكومة في اتخاذ القرارات المستقبلية فيما يتعلق بسياسات المواد الغذائية وغيرها من منتجات البقالة.

## **APPROVAL PAGE**

The dissertation of Majed M. M. Abusharar has been approved by the following:

---

A. K. M. Ahasanul Haque  
Supervisor

---

Kalthom Abdullah  
Internal Examiner

---

Murali Raman  
External Examiner

---

Dindayal Swain  
External Examiner

---

Radwan Jamal Elatrash  
Chairperson

## DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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*This dissertation is dedicated to my beloved parents*

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Firstly, it is my utmost pleasure to dedicate this work to my dear parents and my family, who granted me the gift of their unwavering belief in my ability to accomplish this goal: thank you for your support and patience.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 A RETROSPECTIVE LOOK AT GROCERY STORE: PALESTINIAN EXPERIENCE**

Palestine has been seen as an exceptional marketplace, since by passing time Palestinians have found how to bridge between what produces locally and where to sell them locally. The main industry sectors within the Palestine marketplace are dairy and leather manufacturing. These products are procured from manufacturing layouts and ultimately being sold in grocery stores in which are known as a crucial retail sector within the Palestine context. Retail grocery store has its roots in the primary locations for food purchases. It has been receiving increased attention as an environment that may be suitable for public health interventions (Glanz & Yaroch, 2004). Therefore, retail grocery plays a key role in a marketing context ranges from retail industry to retail grocery industry. The Grocery Store sector in the Middle East has often been overlooked by academic research and analysis. Stable economic conditions, customer willingness, rising populations are signs for positive growth of the retail industry (Çakmak & Isaac, 2012). Most grocery firms competing in the world retail market strive for taking a competitive gain and sustainability in the growing market. Competition is particularly high in the grocery sector where managing differentiation and offering uniqueness are crucial. Growing and flourishing market conditions attract others to invest and welcome them to the industry (Berry & Parasuraman, 2004). Healthy competition will improve products and service quality. Companies should not only focus on culture, taste, and expand the product line, they should also target the proper target market and form a strategic business model.

Sellers must develop and adapt their business strategies to cope with the both local and international competition (Barone et al., 2004).

New entrants also need to identify their possible area and formulate the right strategy to enter the market. The networking of grocery industry is also linked with suppliers and logistics providers. This requires cultivating good relationships among them to secure the best price for products. The grocery industry in the Middle East is diverse and dynamic. Despite political and economic crises, the industry needs to expand and secure its sustainability in global markets (Çakmak & Isaac, 2012). Consumer value variety generates traffic to store (Briesch, Chintagunta et al., 2009), however, too much choice also can be overwhelming. Therefore, within grocery sector, fewer options can provide customers' preferred brand or available product. There are outstanding examples; India and China are major players in the grocery retail industry due to their large customer base and their grocery retail industries. After Japan, China ranked second and India was ranked the third largest industry with much room to expand the industry. Due to low-cost factors of production (land, labour, capital), these markets have good potential to compete in the global economy. The growing economy and consumer trend indicate the potentiality of the industry (Booth & Matic, 2011). The closer look at a retail grocery food sale can be beneficial. Although grocery store markets are increasingly changing, the fact is that traditional full-service grocery stores continue to dominate retail food sales (Glanz et al., 2012). There is empirical evidence that two thirds of grocery shoppers are women, and the overwhelming majority of them are more likely to shop on Fridays and weekends (Goodman, 2008). The recession of the past few years has influenced the behavior of grocery store shoppers and led to increase consumers' cost-saving efforts; price increasingly drives the choice of stores and products. Last but not least the use of

coupons and bargain shopping is on the rise as a whole (Dimitri & Oberholtzer, 2009; Glanz et al., 2012). An investigation of grocery retail industry from rich literatures uncovers the underlying facts that private label, or store brands, are taking an increasing share of consumer, hence shopping in national brands declines (Dimitri & Oberholtzer, 2009; Glanz et al., 2012). To this end, The Middle East grocery retail industry has a better market infrastructure and networking which are key indicators for further development. A nation with urbanization, smaller families, higher levels of education, and increasing wealth are the main factors contributing to the modern retail industry. Better economic conditions offer greater purchasing power and cause the industry to be driven by the mid-level income group and by professionals. Customer demands are being met by offering high quality products, compatibility, comfort, and broad selection. Customers are still price-sensitive and tend to stick with Western brands (Chan & Cho, 2009), therefore Western suppliers take a large portion of Middle East market segment. In the 1990s, Carrefour, the French hypermarket chain started to operate in most Middle Eastern countries and ranked in the top five players. Other chains such as Walmart and Tesco also tried to secure significant market segment, but had marginal impact (Khdour & Hallak, 2012).

The Japanese company AEON and Dairy Farm from Hong Kong play significant roles in the Asian retail market industry. Their success is attributed to their product quality, fast response, and reasonable price structure. In Malaysia and Singapore, Dairy Farm operates under Cold Storage and Giant. The huge disparities in education, wealth, and ways of life, in many nations imply that conventional grocery channels still continue a major offer of the business sector and control the rural, or suburban areas. Except for Australia, Hong Kong, Singapore, and Malaysia, conventional channels charge more than half of the basic need retail market in our

overviewed nations (Berry, 2000). Nowadays, grocery retailers are fully aware of the significance of customer satisfaction on the success of their commercial strategies (Gomez et al., 2004; Betancourt et al., 2007). The Palestine grocery retail industry is not an exception at all. In Palestine, the retail market is still growing. It has potential to expand its format as a retail market channel from urban to suburban areas. Private label products, health foods, and luxury products are considered as the more promising growth sectors. General web entrance is low in contrast with Europe and the US (Analoui & Samour, 2012). Despite its potential, Palestine needs to take necessary steps to identify the major factors that can enhance its retail market (Baidoun, 2009).

Remote retailers are struggling to meet the needs and tastes of local communities however they have a limited customer base. Local retailers are not going to surrender their section of the overall industry, and have the benefit of neighborhood information and client dedication. Governments have likewise acted to ensure household players; most nations have engaged in remote business and retailing without any constraints, and there is the extra obstruction of bureaucratic formality (Berry, 2002).

The empowering business sector welcomes further venture and advancement in grocery retail (Cox & Brittain, 2004). Palestine's developing population become wealthy, and modern, and requesting purchasers will keep driving staple retailing, strengthened by a generally stable economy and enhanced retail foundations (Doumani, 1995; Khalidi, 2010). The Palestinians' response to the market place considering their average monthly expenditures and consumptions are tabulated in table 1.1. Moreover, other statistical reports and information are tabulated in other tables 1.2, 1.3 and 1.4 with the aim of providing a brief outlook regarding the

Palestine marketplace context (Notification: the current currency which is stated in tables and figures are based on Jordanian Dinars). Without a doubt, the months ahead will bring new and intriguing advancements in this magnetic district. Tables 1.1-1.4 represents the expenditure and consumption of Palestinians.

Table 1.1 Average Monthly Household Expenditure and Consumption in Jordanian Dinars (JD) in Palestine by Commodities, Service Groups and Region, 2010 – 2011

Commodities and Service Groups	Palestine		West Bank		Gaza Strip	
	2010	2011	2010	2011	2010	2011
Food Cash Expenditure	322.4	339.7	339.2	361.6	290.1	297.8
Total Food Consumption	332.7	351.0	353.0	376.5	293.4	302.4
Non-Food Cash Expenditure	490.3	519.0	574.8	608.3	327.4	348.2
Total Non-Food Consumption	601.5	634.8	692.7	729.2	425.6	454.2
Total Consumption	934.1	985.8	1,045.7	1,105.7	719.0	756.6
Total Cash Expenditure*	886.9	945.4	993.8	1,058.4	680.7	729.3

Note. \*Total Cash Expenditure = Food Cash Expenditure + Non- Food Cash Expenditure + Groups (Cash Transfer + Taxes + Non —Consumption Expenditure). Palestinian Central Bureau of Statistics, 2013. Palestine in Figures 3012, Ramallah Palestine

The above table 1.1 presents data for average monthly household expenditure and consumption in Jordanian Dinars (JD) in Palestine by commodities, service groups and region. It indicates the standard of living in West Bank and offers a comparative view of West Bank and the Gaza Strip. Table 1.2 represents the Percentage Distribution of Per Capita Consumption within three main areas including Palestine, West Bank, and Gaza. From statistic vantage points, the food consumption in Gaza Strip was 40.8 percent and in West Bank was 33.8 percent in 2010. In 2011,

the food consumption per capita in the Gaza Strip was 39.4 percent and in West Bank was 32.7 percent.

Table 1.2 Percentage Distribution of Per Capita Consumption in Jordanian Dinars (JD) in Palestine by Commodities, Service Groups and Region, 2010-2011

Commodities and Service Groups	Palestine		West Bank		Gaza Strip	
	2010	2011	2010	2011	2010	2011
Total Food Consumption	35.6	34.5	33.8	32.7	40.8	39.4
Total Non-Food Consumption	64.4	65.5	66.2	67.3	59.2	60.6
Total Consumption	100	100	100	100	100	100

Note. Palestinian Central Bureau of Statistics, 2013. Palestine in Figures 2012 Ramallah – Palestine

Table 1.3 exhibits individual poverty rates according to household consumption in Palestine by region, over 2010-2011. Moreover, area-wise poverty rates in household consumption in Palestine are illustrated within the same years in table 1.4.

Table 1.3 Individual Poverty Rates According to Household Consumption in Palestine by Region, 2010-2011

Region	Poverty		Poverty Gap		Poverty Severity		Deep Poverty	
	2010	2011	2010	2011	2010	2011	2010	2011
Palestine	25.7	25.8	6.4	6.0	2.4	2.1	14.1	12.9
West bank	18.3	17.8	4.1	3.9	1.4	1.4	8.8	7.8
Gaza strip	33.0	38.8	10.3	9.3	3.9	3.2	23.0	21.1

Note. Palestinian Central Bureau of Statistics, 2013. Palestine in Figures 2012 Ramallah Palestine

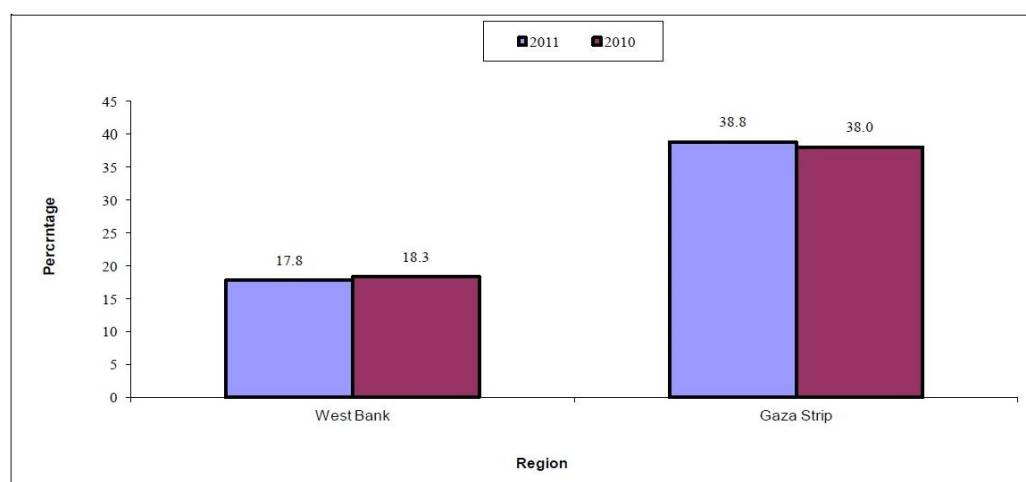
The evaluations were produced to satisfy a requirement for enhanced accessibility and investigation of the business sector data in Palestine, while some official data accessible through constrained sources is frequently fragmented. Moreover, this data is deficiently incorporated into vital examination of big business execution at subdivision level in the West Bank and Gaza Strip (WBGs).

Table 1.4 Poverty Rates According to Household Consumption in Palestine by Locality Type, 2010-2011

Type of Locality	Poverty		Poverty Gap		Poverty Severity		Deep Poverty	
	2010	2011	2010	2011	2010	2011	2010	2011
Urban	25.8	26.1	6.7	6.3	2.5	2.2	14.6	13.7
Rural	21.9	19.4	5.1	3.8	1.7	1.3	12.1	7.4
Refugee Camp	32.4	35.4	7.1	7.4	2.5	2.5	13.9	16.2

Note. Palestinian Central Bureau of Statistics, 2013. Palestine in Figures 2012 Ramallah – Palestine

Individual Poverty Rates According to Monthly Household Consumption Patterns in Palestine by Region, 2010 - 2011



Source : PCBS, 2012

Figure 1.1 Individual Poverty Rates in Palestine