Enhancement of Retail Consumer Loyalty in Latvia by Means of Social Media Communication

Iveta Linina
Turiba University

Velga Vevere
EKA University of Applied Sciences

Abstract

Social media communication has become an important tool both in relying information to potential consumers, as well as in creating experience sharing opportunities. The purpose of this paper is to examine the impact of social media communication on the loyalty formation in retailing. The tasks to be carried out are:

1. to research theoretical framework of social media communication and loyalty;
2. to work out methodology for empirical research;
3. to carry out research on consumers' perception of retail stores online communication.

Within the framework of the current study the authors employed a method of customer survey. Applying the non-probability snowball sampling method the questionnaire was distributed via e-mails and Facebook groups (n=327). The general population in this research consisted of the economically active Latvia residents in 2020. The authors used 5-point Likert scale (1-low evaluation, 5 – very high evaluation). The SPSS program was used for this purpose, the following indicators were calculated: arithmetic mean (X), Median (Me); Mode (Mo); Variation; Standard Deviation; Variation Coefficient. The research question posed in the article was the following: What role does social media play in enhancing consumer loyalty in retailing?

Findings: 87% of all respondents have noticed the communication of Latvian retail store networks on social media and 60% of all respondents have chosen to follow the profile of social networks to one of them, which indicates the untapped opportunities of companies in this respect. Evaluating the communication of Latvian retail store chains, the arithmetic average is 2.68, but for communication on social media - 2.72. It means that in order to increase these indicators, Latvian retail store chains must develop a communication strategy taking into account both the values of the target audience and the basic principles of building relationships with customers. The current research results can serve as grounds for the strategy development.

KEYWORDS: consumer loyalty, retailing, social media communication, consumer engagement, eWOM.

Introduction

The pandemic of Coronavirus has affected the global economy immensely, the long-term effects are to be seen in the foreseeable future. One of the spheres, among others, hit hard is the retail trade since due to the quarantine conditions there is an inevitable drop in sales (less number of customers means less profit inevitably) and growing competition among retailers. At the same time these new circumstances compel retail enterprises to develop new modes communication and new online sales points, since a number of retailers/consumer goods companies have shifted their focus to online sales in view of a surge in consumers’ willingness to spend online during the outbreak (PricewaterhouseCoopers, 2020). Studies of the effects of COVID-19 upon economy...
is to be expected in the near future, however, the current crisis actualizes the significance of online communication for retail enterprises, more specifically, communication of social responsibility (in relation to the environment, to the customers, to the community and to the employees). The authors of the present article in 2019 have conducted the research of the impact of corporate social responsibility upon the customer loyalty formation in retail sphere in the Baltic countries (Linina et al., 2019). It was a two-phase research. The first phase consisted of the retail customer survey; considering the aim of the research and characteristics of the respondents the standardized questionnaire was used. All respondents were offered the similar statements in the identical order, the evaluation was according to 5-point Likert scale. The non-probability snowball sampling method was used to gather information, namely, the first set of respondents were contacted by the means of e-mail, they, in their turn, identified the next set of respondents, and so on. As the result 1446 questionnaires were admitted as valid: 673 from Latvia, 388 from Lithuania, and 385 from Estonia (the population – residents of all countries). The respondents answered two sets of questions: (1) about factors that influence their choice of supermarket – the assortment of goods (including the local and eco produce), the price level, the product placement and shopping convenience, the marketing activities, the service quality, and, the most important, the attitude toward employees and employment policy (different social programs), the responsible attitude to environment, as well as participation in the social projects and organizing them; (2) about the same factors within the context of their evaluation of the supermarket. These differences entailed that the consumers’ expectations were not fully met, and the certain steps taken in the direction of the ethical business practices can facilitate changes in the consumption patterns (for example, the corporate social responsibility activities can become a significant factor of the supermarket choice). In order to investigate the existing gap mentioned above, the authors carried out the second phase of research – the expert survey (n=9). Based on the objectives of the research and taking into account the peculiarities of the expert group, the authors selected the following characteristics of the expert survey: an individual survey, in which experts participate independently; off-site survey where experts provide individual answers without the direct assistance of expert organizers; closed questionnaire, where each expert is not informed of the answers of the other experts; 10-point Likert scale questionnaire (1 - very low to 10 – very high evaluation). The main conclusions from the research were the following: (1) the comparison of supermarket selection criteria evaluations with the actual supermarket performance indicators showed that the five selection criteria (assortment of products, including local and eco products, marketing activities, quality of service, employee attitude and employment policy and responsible attitude to environment) were ranked higher than the actual supermarket ratings; (2) customers in the Baltic States demonstrated a relatively low loyalty ratio for the company; (3) comparing the customer survey with the expert survey led to the conclusion that the most divergent indicator was the price level, which according to the experts was the most important in the choice of the shop; (4) both surveys exhibited the false loyalty phenomenon, namely – that the location of the store (convenience) was the key factor in choosing the particular shopping point, rather than reputation, image and social activities (Linina et al., 2019). In authors’ opinion, one of the reasons for the latter conclusion was the insufficient communication in social media. This led to the development of the current research and the following research question: What role does social media play in enhancing consumer loyalty in retailing?

The theoretical basis of the current research consists of two conceptual frameworks – the first concerning the loyalty formation mechanisms in retailing, while the second one – the role of retailers’ online communication in the loyalty building. In general, the loyalty can be defined as result of the consumer’s perception of the supply (product, service, brand, etc.), which has led to positive attitudes (cognition, trust and emotional) and positive action regarding the offer (repeat-
ed purchases, additional purchases, high consumption intensity, etc.) (Linina & Zvirgzdina, 2016). The research literature exhibits an array of loyalty models, but for the purpose of the current research we would like to stress three of them, respectively, the one-dimensional, the two-dimensional, the three-dimensional, and the four-dimensional ones. Historically speaking, the scene was dominated by the one-dimensional model, where the loyalty was determined by the results of consumers’ behavior – their preference for a certain offer in the market or, in other words, the repeated purchase (Bass, 1997). Although the repeated purchase is a significant indicator of loyalty, it does not take into account the factor of consumer attitude. Thus, having identified the shortcomings of the one-dimensional loyalty model, the researchers suggest investigating this category from a two-dimensional point of view, that includes the above mentioned attitudinal loyalty (Khan, 2009). Attitudinal loyalty is a psychological attachment to a company or selected brand which is often in the form of a long-term and ongoing relationship with the brand (Day, 1969). This approach provides an opportunity to analyze consumer loyalty not only from the point of view of the end result (repeated purchases), which can be due not only to loyalty but also to the psychology of consumer behavior. There were also weaknesses in the two-dimensional approach to the development of the nature of loyalty in research. The proposal to obligatory study and quantitative assessment of consumers’ awareness of the offer was a particular objection. In order to overcome this obstacle, the three-dimensional model was proposed, namely, it presupposed that loyalty was made up of consumers’ thoughts and feelings toward the brand that are manifested as action (Worthington et al., 2009). In other words, the three-dimensional model of loyalty included such aspects as, cognitive loyalty, behavioral loyalty, as well as affective loyalty. In the late 20th and 21st centuries, the research on the essence of loyalty and its practical implications was dominated by R. Oliver (1999), who worked out the four-dimensional consumer loyalty model. In this regard, the researcher, in the context of attitudinal loyalty, also highlighted the emotional dimension (I buy because I like this offer) and the trust dimension (I buy because I trust this offer), which together with the cognitive dimension influenced the decision of repeated purchase. Oliver described the loyalty formation process consisting of four stages: a consecutive of cognitive loyalty, affective loyalty, conative loyalty, and action (behavioral) loyalty. In such a progressive sequence of customer behavior one can observe that attitudinal loyalty leads to behavioral loyalty (TaghiPourian et al., 2015; Hoffmann, 2013).

**Figure 1**
Consumer loyalty model (Linina & Zvirgzdina, 2016)
Based on the analysis of the advantages and disadvantages of loyalty models discussed above, the authors recommend to introduce the conceptual consumer loyalty model for the practical use (see Figure 1). This model is versatile in its nature, but can be used in practice, taking into account the peculiarities of the industry / product / brand. It might be concluded, that the consumer loyalty processes include the following logically related elements: Factors influencing loyalty (values); perception of consumer values; peculiarities of the target audience; consumer satisfaction; and dimensions of consumer loyalty.

Through the consumer loyalty model in retailing exhibits the majority of the features depicted in the conceptual model depicted above, there are particular idiosyncratic features that should be taken into account Customer loyalty means that customers are committed to buying merchandise and services from a particular retailer. Loyalty is more than simply liking one retailer over another. Loyalty means that customers will be reluctant to switch and patronize a competitive retailer. It is possible to distinguish the following aspects of loyalty building: building a strong brand image, creating a unique positioning in the target market, offering unique merchandise, providing excellent customer service, implementing a customer relationship management program, and building a retail community (Levy et al., 2014; Hoffman, 2013). In the light of the current research (online communication and loyalty) the last two aspects seems of be of higher importance. In other words, these are so-called "how" (or performance) factors (Clottey et al., 2008; Deka, 2016).

Summing up the previous research in the field, the authors of the current article have come up with the specific features of the consumer loyalty in the realm of retailing:

1. Customer can be loyal to the outlet/store due to the following factors: availability of the product/brand he is satisfied with, satisfaction with the product/price ratio, satisfaction with the service quality, social factors;

2. Perception of the afore mentioned factors depend on the geographic, demographic, economic, social and psychological characteristics of the target audience, though the importance of the factors can differ (e.g., despite the satisfactory price level, service quality the customer can still be not loyal in case of unavailability of the necessary product/brand);

3. Unlike other industries, the retail trade can have a fairly large number of the false loyal customers (making purchase only due to the advantageous location of the store) and the ones who although satisfied, are not re-purchasing, since they focus on sales and price discounts;

4. The attitudinal loyalty relates mainly to the product/brand values and the relation "product / brand value - consumer expenses", but the behavioral loyalty - to service quality. Therefore, it is imperative to pay attention to both dimensions of loyalty;

5. The consequences of consumer loyalty are different, but the main thing about it is to make repeated purchases. Other signs of loyalty - low price sensitivity and positive "mouth-to-mouth" communication are less typical because they concern specific products/brands rather than retailers (Linina & Zvirgzdina, 2020).

Moving to the second area of our conceptual framework, i.e., the employment of social networks in building retail consumer loyalty, we have to admit that literature in the field covers quite broad spectrum of issues – from the role of consumer references and the rewarding engagement strategies, from the electronic word of mouth (e-WOM) and creation of online communities to the online communication strategies (Ali, 2016; Leonardi et al., 2013; Poturak & Softić, 2019; Pütter, 2017; Schivinski & Dabrowski, 2014). Thus, L. M. Rehnen and others (2017) and L.M. Le-khanva (2013) devoted their research to the consumer engagement, particularly. They concluded that although the rewarding per se could enhance the consumer loyalty there existed a danger that offering rewards might make consumers undermine the value of the product in question. C. M. Sashi (2012), in his turn, created a consumer engagement model consisting of seven stag-
connection, interaction, satisfaction, retention, loyalty, advocacy, and engagement. All in all these stages were based on two pillars – interaction and emotional attachment, that by definition accords to the definition of social media as the collective of online communications channels dedicated to community-based input, interaction, content-sharing and collaboration (Neti, 2011).

Consumers are adopting increasingly active roles in co-creating marketing content with companies and their respective brands. In turn, companies and organizations are looking to online social marketing programs and campaigns in an effort to reach consumers where they ‘live’ online (Hanna et al., 2011). Word of mouth marketing within e-commerce referred to the sharing of opinions and feedbacks regarding products. This process, when monitored by the company, can play a significant role in the consumer loyalty enhancement, especially when, there is a high level of competition represented by products that are rapidly introduced to the market. (Kaplan & Haenlein, 2010). Karjaluoto and others are (2014) interested in examine how customer’s intention to post WOM can influence his/her repurchase intention. Our age of digital media makes the shopping experience entirely different – instead of visiting shopping sites physically modern consumers check retailers’ websites beforehand. In the presence of social media, some businesses offer virtual tours of their retail outlets that can provide potential shoppers with guides to convenience features such as parking and opening hours; helping customers to make decisions to frequent certain shopping destinations. Besides that, the websites allow potential buyers immerse themselves in the previous customers’ experiences, as well as to leave their feedback afterwards (Villarejo-Ramos et al., 2014; De Keyzer, 2019).

Still, the most important conclusion, in our opinion, to be derived from the theoretical literature regarding the role of online communication in creating retailer-consumer relationship are the following: the modern consumption patterns require from retailers pay attention to the pre-purchase (information about produce, store opening hours, client service, etc.) and post-purchase (consumer feedback, warranties, etc.) communication.

Methodology

Within the framework of the current study, in order to find out the attitude of buyers towards online communication of the retail enterprises in in Latvia, the authors employed a method of customer survey (Rust et al., 2004). The survey procedure consisted of seven subsequent stages:

1. The standardization of the questionnaire and determination of its openness. Taking into account the goal of the survey and characteristics of respondents, the authors chose the standard open questionnaire. It means that all respondents were offered the similar questions in the similar sequence, that made possible the objective comparison. The questions had one-answer option according to the 5-point Likert scale.

2. The choice of sampling and questionnaire distribution method. The questionnaire was created in the Google documents environment. Applying the non-probability snowball sampling method (Kristapsone et al., 2011) the questionnaire was distributed via e-mails and Facebook groups. In the result, 327 questionnaires were recognized as valid. The general population in this research consisted of the economically active Latvia residents in 2020. At the 95% data reliability level and the 5% margin of error, the minimum number of respondents in the sample was calculated at 315 respondents (Arhipova & Bāliņa, 2006.). The respondents’ social-demographic characteristics are depicted in the table 1.

3. Determining how to obtain the required information. Taking into account the fact that all respondents were retail store customers, it was a high probability that they had enough information, as well as shopping experience. Yet another question was – would they be willing to share necessary and truthful information. In order to increase the level of interest, the authors
of the paper wrote in the introduction of the questionnaire that filling in the questionnaire could contribute to improving the quality of retailers’ communication.

4 Formulating the questions. It is a difficult task, since the faulty formulation can entail respondent’s refusal to answer or to supply the incorrect answer. In order to avoid such problems, the authors used simple sentences avoiding vague terms, avoid prompting questions; hidden alternatives and assumptions, value statements making sure that all questions are case-specific (Dillman, 2007).

5 Sequence of questions. In obtain the maximally precise information, the sequence of the questions were the following: from general to specific, the more complicated ones were asked in the second half; each block was completed before moving to the next one; the demographic information was gathered at the very end in order not to lose the potential respondent before even when he/she started filling out the form (in case if respondent does not wish to reveal personal information).

6 Determining the form of questions. The authors used 5-point Likert scale (1-low evaluation, 5 – very high evaluation). In case of several possible answers it was duly noted. The authors did not employ open-ended questions in order to collect data viable for quantitative processing.

7 Data processing. The SPSS program was used for this purpose, the following indicators were calculated: arithmetic mean ($\bar{x}$), Median (Me); Mode (Mo); Variation; Standard Deviation; Variation Coefficient (Kristapsone et al., 2011). For the questions with several possible answers, the frequency analysis was used.

Upon processing the survey data the conclusion was reached that Latvia residents notice retailers’ communication in social media, because 87% of respondents gave the affirmative answer to the question (see Figure 2).

Regarding following one or another retail chain online communication almost half of respondents (40%) admitted doing so (see Figure 3). This is a high figure and indicates that shoppers

<table>
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<th>No.</th>
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<th>Number</th>
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<td></td>
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**Table 1**
Social-demographic characteristics of respondents

**Figure 2**
Noticeability of retailers’ communication in social media
need information and the fastest way to get it is on social media. In turn, it gives companies the opportunity to communicate directly with their customers and also to build relationships with them to achieve loyalty.

In order to successfully communicate with customers to build relationships and ensure loyalty on social media to retail store chains, it is essential to ensure that this communication meets the expectations of customers. Within the framework of the survey, respondents were given the opportunity to evaluate the communication of Latvian retail store chains with customers in general and on social media in particular on the Likert scale in a 5-point system, where 1 is a very low rating and 5 is very high (see Table 2).

Both indicators were assessed very similarly, where the arithmetic mean when assessing the communication of Latvian retail store networks was slightly above the average, i.e., 2.68, but in social media particularly it was slightly higher - 2.72. In both cases, there was a very large amount of variation, which indicated the difference in opinion of the respondents regarding these issues. This assessment showed that companies had the opportunity to improve communication with customers, which could be the basis for developing relationships with them as the basis for loyalty building.

In order to understand buyers’ desires, the respondents were asked what would encourage them to follow the retail store chains in the social media. Summarizing these answers, the proposed factors were ranked according to their importance, where 1 meant the most important aspect, but 6 - the least important one:

1. Information about new produce
2. Possibility to express one’s opinion
3. Product advertisement
4. Experience of other consumers
5. Information about company activities
6. Competitions and lotteries.
From this ranking it follows that the most important aspects enhancing the consumer loyalty through social media communication are two: product information (supplemented by advertisements) and consumer feed-back opportunities, whereas the lowest ranking positions, i.e., 4th and 5th respectively were assigned to information about company activities, as well as competitions and lotteries.

Taking into account the results obtained in this study, retail companies in Latvia can develop a social media communication strategy both by defining the target audience and adapting the content to this target audience.

1 The study included a survey of 327 respondents, 90% of whom were women and 10% men. The largest majority of respondents, 83%, are economically active Latvians aged 26-64, whose average income is more than 1,500 euros per month after taxes. The survey is considered representative as it involved 327 respondents, representing 95% data reliability and 5% error margin.

2 87% of all respondents have noticed the communication of Latvian retail store networks on social media and 60% of all respondents have chosen to follow the profile of social networks to one of them, which indicates the untapped opportunities of companies in this respect.

3 Evaluating the communication of Latvian retail store chains, the arithmetic average is 2.68, but for communication on social media - 2.72. In order to increase these indicators, Latvian retail store chains must develop a communication strategy taking into account both the values of the target audience and the basic principles of building relationships with customers. Developing social media communication strategy, the retailers must set clear short-term and long-term objectives in order to ensure the effectiveness of communication.

4 Taking into account the results obtained in the survey, Latvian retail store chains for communication on social media need to create content according to the interests of customers, which will increase the number of followers and will be the basis for building relationships with them. Ensuring relationship building with customers leads to the loyalty, which in turn can ensure retailers competitiveness.

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LININA IVETA

Dr.oec.
Turiba University
Fields of interests
Marketing, marketing communications, sales management, customer relationship marketing.
Address
68 Graudu st., Riga LV-1058, Latvia,
Phone: +37126306922
E-mail: iveta.linina@turiba.lv

VEVERE VELGA

Dr.phil.
EKA University of Applied Sciences
Fields of interests
Philosophy, business ethics, corporate social responsibility, marketing communications, brand management.
Address
1/5 Lomonosova st., Riga LV-1019, Latvia,
Phone: +37126463584
E-mail: velga.vevere@gmail.com

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