

How Does Costco Win Customer Satisfaction: A Case Study of the South of Taiwan

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Abstract—This study aimed to investigate how Costco Taiwan can win consumers' supports and satisfactions in a such competitive market today. As the economy has rapidly changed and developed, consumers' awareness are rising quickly, it is getting harder and harder to gain customers' satisfactions for those wholesale stores. The purpose of this study is to understand if there is the positive relationship between the experiential marketing strategies and the customers' satisfactions for Costco wholesale business. In this study, 120 copies of questionnaires were distributed to Costco wholesale club members in the southern areas of Taiwan , and 120 valid copies of questionnaires were analyzed. According to the results of the statistics analysis, Cronbach's $\alpha = .902$. The results showed that act experiential marketing had a positive correlated relationship with customers' satisfactions.

Index Terms—Experiential marketing, customer satisfaction, warehouse stores, Costco.

I. INTRODUCTION

As economic development, Taiwan has been moving into business and industry-based economy, which gradually enhances people's living standards and quality, also change people's consumption patterns. Since 1989, Makro, Carrefour, RT-Mart, Geant, Costco and many other chain stores from home and abroad have entered the Taiwan retail and wholesale market.

Costco opened its first wholesale store in Kaohsiung , Taiwan in 1997; now there are a total of nine stores, located in Taipei (2 stores), Taoyuan (1 store), Hsinchu (1 store), Taichung (1 store), Tainan (1 store) and Kaohsiung (2 stores) , also Chiayi (1 store) was grand opening on this August in 2013. In fact, the number of Costco wholesale store has been established increasing in Taiwan, and the turnover has been relatively improving, the average annual turnover of a single store is \$ 5 billion in 2012.

Liu Jinhong and Hung Wei-liang (2007) claimed that the wholesale store with a "one-stop shopping, leisure, entertainment, information, a big parking lot" as the necessary competitive situations in the market. After many years of wholesale business development, customer is no longer satisfied to receive the information provided by the seller only , but also need to go through the way of experiential shopping first, then they can do comparison and make a purchasing decision later [1].

Cardozo (1965) proposed the concept of customer satisfaction, he considered the customer satisfaction

enhancement can increase customers' buying behavior [2]. Woodruff and Bobert (1993) and Schmitt (1999) believed that the value of experience and customer satisfaction are closely related. Kotler (2006) explained that buyers' satisfaction depends on if the goods or services can meet their expectations after purchasing or experiencing [3]-[5].

II. LITERATURE REVIEW

A. Act Experience

See Table I, Pine and Gilmore (1998) mentioned that act experience for consumers was to create an unforgettable service activities, companies must to serve the commodity as a prop around consumers and to create wonderful memories of activities to consumers as well in the " experience economy " [6].

Schmitt (1999) explained the definition of act experience was the experience usually occurs by direct events, observation or participation no matter the event was real, fantasy or a virtual which have a significant effect of positive experience value [4].

TABLE I: ACT EXPERIENCE

Year	Scholars	Definition
1998	Pine & Gilmore	To create a memorable and unforgettable experience [6].
1999	Schmitt	The experience usually occurs by direct events, observation or participation [4].
2006	Lin, Xinli	Related to consumer experience and situational factors such as the senses, emotions, thinking , and action [8].
2008	Hung, Kun Chiao	Act experience was caused by the combination of memories and feelings of the body and soul at a particular time [7].
2010	Wen	The results showed that the senses, act, think were associated, act experience and customer satisfaction had a positive relationship [9].

According to Hung, Kun-Chiao (2008), the study showed that act experience was not spontaneous but induced by certain situations; individual operation experience was caused by the combination of memories and feelings of the body and soul at a particular time. It's like a new product for customers to try, even they do not know the product is good or bad, they still want to have a new experience [7].

Therefore, industry can take advantage of act experience to improve the customer satisfaction. Not only to focus on the moment of customer experience, but also to pay attention to customers' feeling before and after act experience. So how to utilize commercial advertising, product information and

promotions to increase customer satisfactions is a key factor to act experience.

B. Customer Satisfaction

See Table II, Cardozo (1965) proposed the concept of customer satisfaction, he considered that the raising of customers' satisfactions can increase their purchasing behaviors, further it would also affect customer to purchase other products in store [2]. Fornell (1992) pointed out that customer satisfaction was created by customers' buying experience [10].

Chi, Wen Hai (2007) thought customers' satisfaction coming from the result before or after purchasing or serving, which meant the better service the higher customers' satisfaction [11]. Lee, Wen- Ling (2009) believed that customers' satisfaction was an emotional response by product expectations, products performance and the quality of customer services, as in [12].

This study was approved by the literature, and we found that whether the customer satisfaction good or bad all depending on if service providers meet their customer expectations.

TABLE II: CUSTOMER SATISFACTION

Year	Scholar	Definition
1965	Cardozo	First scholar proposed the concept of customer satisfaction [2].
1980	Oliver	Customer satisfaction was decided by the results of expectations from product or service [13].
1992	Fornell	Customer satisfaction was created by customers' buying experience [10].
2002	Wang	Customer satisfaction can be seen as an identification of customer expectation [14].
2006	Kotler	The performances of goods can meet customers' expectations [15].
2007	ChiWen Hai	The better service the higher customers' satisfactions [11].
2009	Yin	The expected cognitive level is consistent before and after services or goods purchased [16].
2011	Lin Jun	The reflection for overall satisfaction was caused by the consistent expectations after consuming [17].
2012	Lin Yongrui	Customer satisfaction was decided by the customer expectations and what they've actually gotten [18].

TABLE III: THE ACT EXPERIENCE AND CUSTOMER SATISFACTION

Year	Scholar	Definition
1993	Woodruff & Bobert	Act experience and satisfaction were closely linked. The better experience can bring higher customer satisfaction [3].
2004	Hong,Sheng Hong	There were a highly positive relationship between act experience marketing and customer satisfaction [19].
2009	Yin	Act experience can be positive to customer satisfaction,. there was a positive correlation. between experiential marketing and customer satisfaction [16].
2010	Tsai, Ruiwen	The results showed the act experience and the customer satisfaction had a positive relationship [20].

C. Act Experience and Customer Satisfaction

See Table III, Woodruff and Bobert (1993) declared that the customers' act experience and customer satisfaction were closely related [3]. Better experience can bring higher customer satisfaction. Hong, Hongsheng (2004) [19] explored that the experiential marketing directly affected customer satisfaction. The experiential modules of act experience had a positive relationship with customer satisfaction. Tsai, Ruiwen (2010) expressed that there was a positive correlation between act experience and customer satisfaction [20].

III. RESEARCH METHODS

This study was conducted to investigate the relationship between act experience and customers' satisfactions. The participants responded to the questionnaire items with the assurance; hence, data were collected at one point in time, the response were more truthful than other research methods such as personal interviews (Babbie, 1990) [21].

A. Research Framework

According to the chapters of introduction and literature review, we wanted to explore the influence of act experience on customer satisfaction, so the hypotheses was if there was a positive relationship between the act experience and customer satisfaction (See Fig. 1). In this study, the data were collected from July to September, 2013.

As Schreiber's (2006) rule of thumb is 5 to 10 observations per item for a test of 12 parameters [22], the sample size for the present study was set at 120. A total of 120 questionnaires were distributed and returned. All of these respondents were in a sample appropriate for further statistical analyses. Demography, reliability, independent t test and the correlation analysis were analyzed by SPSS12.0.

IV. DATA ANALYSIS

A. The Demographic Characteristics

From the Table IV, the percentage of males was 49.0%, females accounted for 51.0%. It didn't differ much about gender in Costco warehouse club stores in the south of Taiwan. The majority age was under 30 years old (77.5%); the majority monthly income was less than \$ 30,000 (69.2%).

B. Reliability

Scale reliability coefficient refers to the consistency or stability, reliability is a good indicator in the same operation was repeated under similar conditions. Nunnally (1978) suggested that Cronbach's α values is at least greater than 0.70 in the general study [23]. In the present study, the results were shown in Table V, all of composite reliability scores are higher than 0.7.

C. Independent Sample T-Test

In Table VI, there was sufficient evidence to show that the female customers had the stronger feeling of "open hours can meet my needs" than male in the dimension of "act experience". Male has more sense than female on the rest of

items of the dimension of "act experience", especially for "regular product information". Also, there was a sufficient evidence to show that the male customers had higher satisfaction than female in the dimension of "customer satisfaction".

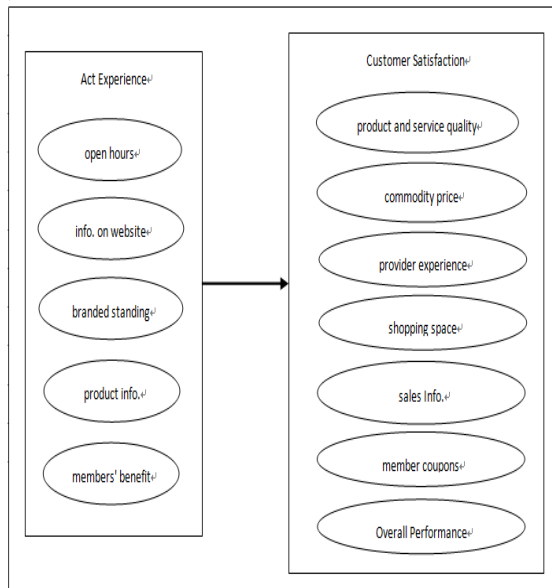


Fig. 1. Research framework.

TABLE IV: DESCRIPTION ANALYSIS

Factor	Range	Number of people	Cumulative percentage
Gender	Male	59	49.00%
	Female	61	100.00%
Age	Under 30 years old	93	77.5%
	31-40 years	12	87.5%
	41-50 years	9	95.0%
	Above 51 years old	6	100.0%
Income	Less than NT\$ 30,000	83	69.2
	NT\$30,001 to 40,000	20	85.8
	NT\$40,001 to 50,000	8	92.5
	NT\$50,001 to 60,000	3	95.0
	More than NT \$ 60,001	6	100.0

TABLE V: CREDIBILITY ANALYSIS

	Cronbach's Alpha Value	Number of Items
Act Experience	0.902	5
Customer Satisfaction	0.901	7

TABLE VI: T-TEST OF GENDER, ACT EXPERIENCE AND CUSTOMER SATISFACTION

Dimensions	Questions	Mean		t value	P value
		Male N=59	Female N=61		
Act Experience	1. Open hours can meet my needs	4.10	4.21	1.686	.004*
	2. Each store add. and info. on the website	4.34	4.25	2.186	.002*
	3. Providing branded standings	4.43	4.16	1.752	.001*
	4. Regularly product information	4.37	3.39	2.439	.002*
	5. Membership cards have more benefits	4.35	4.25	1.586	.002*
Customer Satisfaction	1. Product and service quality	4.31	3.92	2.946	.007*
	2. Commodity price	4.15	3.72	2.939	.002*
	3. Provider experience	4.36	3.75	2.984	.451
	4. Shopping space	4.34	4.03	2.980	.001*
	5. Clear sales information	4.27	3.74	4.379	.247
	6. Member coupons	4.07	3.61	4.378	.876
	7. Overall Performance	4.25	3.92	2.368	.926

D. Correlation Analysis

Pearson correlation analysis was used for two other dimensions: "act experience" and "customer satisfaction", the result showed coefficients were positive correlation of .506 (see Table VII) and reached significant level ($p < 0.01$), which indicated that two dimensions were significant correlated to each other. It explained that the better act experience, the higher customer satisfaction.

TABLE VII: THE CORRELATION BETWEEN ACT EXPERIENCE AND CUSTOMER SATISFACTION

		Act Experience	Customer Satisfaction
Act Experience	Pearson correlation	1	0.506(**)
	Significant (2-tailed)		0.000
	Number	120	120
Customer Satisfaction	Pearson correlation	0.506(**)	1
	Significant (2-tailed)	0.000	
	Number	120	120

V. CONCLUSIONS AND RECOMMENDATIONS

According to statistical analysis results in this study, the majority customers was females, age under 30 years old and the average monthly income less than NT\$ 30,000. We can

understand there was a significant difference between male and female on each dimension of act experience and customer satisfaction. We also can know that the correlation coefficients between act experience and customer satisfaction was positive correlated, and the coefficient ratio was .506 which reached the significant level ($p < 0.01$). From the result of study, we can tell the female customer satisfaction was much lower than the male customers. So we suggest Costco wholesale store should increase the attractiveness of female commodities for improving female customers' act experience for increasing their satisfactions in the future.

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