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CUSTOMER SATISFACTION IN THE MACEDONIAN OIL RETAIL SECTOR

Abstract

In today's rapidly changing business environment and increased competitiveness, the battle to acquire and retain customers has imposed as a difficult and challenging task, especially for oil companies. Modern companies no longer perceive profit as an ultimate result of their business activities, rather they place more emphasize on customer satisfaction. This trend initiated a certain transformation in the practical concept of customer satisfaction, by changing companies' strategic focus from internal to external.

The structure of this paper, both theoretical and empirical, elaborates on the relevance of customers for the Macedonian oil retail sector. This paper refers essentially on customer satisfaction associated with the products from two leading oil companies in Macedonia: Makpetrol AD and Lukoil Macedonia. The aim of this paper is to emphasize the level of customer satisfaction in the downstream oil segment in terms of long term loyalty and economic consistency. The analysis of the customer satisfaction will be researched with elaborating and comparing customer satisfaction from oil companies in Macedonia - Makpetrol AD and Lukoil Macedonia – which have equal price and quality. The research is concentrated on the key elements that determine customer satisfaction from Macedonian oil companies. The analysis results indicate that customer's can clearly demonstrate affection toward certain company and concludes the utmost importance of customers' satisfaction for achieving sustainable competitive advantage within the Macedonian oil retail market.

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Key words: customer satisfaction, oil industry, oil retail industry

JEL Classification: M10, M30

Introduction

Customer satisfaction has remained as one of the most sensitive topics in scientific research. The increased rivalry on the market and easy access to goods and services has enabled customers to sharpen their preferences by carefully selecting their suppliers. Nowadays, given the wide variety of products and services, customers' options have expanded, automatically making them more prone to change.

The concept of customer satisfaction is designed on the basis of the generally accepted notion that in order for a company to be successful, first it should fully meet its customers' needs. Thus the perception of customers and users of goods and services is critical for the survival of a single market.

Many industries, however, are paying greater attention on customer satisfaction, for several reasons such as increased competition and deregulation. This aspect is particularly applicable when it comes to the oil retail industry. The global character of the oil retail sector is quite competitive due to the practical application of the liberalization and deregulation principles. Consequently, at the global level, the competition within the oil retail sector is extremely intensive. Therefore companies are becoming more customer-centric in order to maintain a large portion of satisfied clients mainly due to the differentiated product lines which largely differ in price and quality. Leading global oil companies such as Exxon Mobil and Royal Dutch Shell pay key attention to customer satisfaction. Their devotion toward customer satisfaction is practically demonstrated by specialized customer focused program tailored to primarily fit consumer preferences. On the Macedonian oil retail market there are companies who have started to grasp the essence of customer satisfaction. However, this process is quite slow mainly due to the fact that Macedonian oil retail companies still perceive its products from a mass marketing perspective – solely as a commodity – thus neglecting the indistinguishable nature of oil as a product and its unique and complex composition as a means to sustain long term customer satisfaction.

This paper initially identifies the factors that influence customer satisfaction, followed by an analysis of customer satisfaction of the two leading oil retail companies in Macedonia. In the end, from the aspect of increasing customer satisfaction, further directions are provided in order to intensify future discussion concerning improving customer satisfaction in the oil retail industry in Macedonia.

1. FACTORS INFLUENCING CUSTOMER SATISFCATION

In highly competitive economies, it is imperative for companies to be consumer – oriented. Companies are obliged to design quality products and services which in turn will generate satisfied and loyal customers. Decades ago, customer satisfaction was a primary goal of each company on the market generally due to the strong consistent effect of which customer satisfaction has on the retention of key customers and boosting market share¹. In essence, customer satisfaction is influenced on number of factors which may be categorized differently:²

- Employees – where employees satisfaction determines the quality of services and has a vital role in the delivery of value to customers;
- Product quality – which influence the way customers perceive product attributes;
- Corporate image – which indicates the quality of accumulated multiple experience of customers in the context of emotional and functional characteristics of the product;
- Service quality – which affects the satisfaction and loyalty of customers thus generating greater income for companies;
- Accessibility – which refers on the network of general facilities, geographical positioning of retail facilities, and basic accessibility of customers to retail facilities.

¹ Hansemark, O., Albinson, M.:”Customer satisfaction and retention: the experience of individual employees”, *Managing Service Quality: An International Journal*(2004), 14 (1), pp. 40-57.

² Mihelis, G., Grigoroudis, E., Siskos, Y., Politis, Y., Malandrakis, Y.:”Customer satisfaction measurement in the private bank sector”, *European Journal of Operational Research* (2001), 130 (2), p.6.

It is significant that these dimensions cannot be seen from an independent aspect. Customer satisfaction is an element which encompasses a large segment of each of the elemental factors which in fact drive the level of customer satisfaction. Customers are more aware of what they purchase and once they feel unsatisfied they will instantly switch to rival companies. The customer is the only one who can determine the value of the product which he forms under the influence of various internal and external factors. The current value of a product is not only an expression of the required quality but the overall experience that the customer has when consuming certain products and services.

Nowadays, companies are aware that satisfied customer worth fortune on a long term. Satisfied customers provide recommendation to other potential buyers, repeat purchase, and are willing to pay additional amount for cooperation with a company they believe in. Every company that wants to position its self adequately and be competitive has to create a unique marketing strategy that will provide customers with a highest form of satisfaction. So far, scientific research, especially longitudinal³, has indicated that satisfied customers tend to be more loyal to a certain brand, which in turn affects revenue growth, reduces costs and price sensitivity.

2. MEASURING CUSTOMER SATISFACTION

Modern marketing philosophy is determined by customer satisfaction as a fundamental and most measurable standard for quality performance of companies. In this context, studies which are related with the measurement of customer satisfaction are based on the same basic principle: to evaluate the products and services of the company in terms of how they are perceived by consumers⁴. Recent studies⁵ have shown that modern companies that practice consumer – oriented strategies to better

³ Cooil, B., Keiningham T., Aksoy, L., Hsu, M.: “A Longitudinal Analysis of Customer Satisfaction and share of Wallet: Investigating the Moderating Effect of Customer Characteristics” *Journal Of Marketing* (2007) 71 (1): 67-83.

⁴ Cengiz, E.: Measuring customer satisfaction: must or not? *Journal of Naval Science and Engineering*, (2010) 6 (2): 76-88.

⁵ Ishaq, M., Bhutta, M., Hamayun, A., Danish, R., Hussain, N.: “Role of Corporate Image Product Quality and Customer Value in Customer Loyalty: Intervening Effect of Customer Satisfaction”, *Journal of Basic and Applied Scientific Research*, (2014) 4 (4): 89-97.

meet customers' needs indirectly comprehend the need to develop an advanced system for measuring customer satisfaction.

In order to achieve long term success on the market, it is crucial for companies to continuously monitor the level of customer satisfaction in the context of their product line and services on the market. Hence, companies will generate better insight concerning current level of customer satisfaction and use those findings to improve future strategic plans. In measuring customer satisfaction, companies are initially obliged to define which segment will be specifically evaluated, whether customer satisfaction will be examined from the perspective of products and services and which methodological approach will be most compatible in order to respond appropriately on the research objective. However, before companies start with the implementation of any system for measuring customer satisfaction, they have to essentially identify the characteristics of its customers. Therefore, measuring customer satisfaction is considered as an inevitable element for increasing customer satisfaction and thus it should be a continuous process that is carried out regularly. Understanding customer preferences can help companies to improve its business decisions and ultimately build competitive advantage over other rivals on the market.

3. OIL RETAIL SECTOR IN THE REPUBLIC OF MACEDONIA

Unlike the complex structure of the global oil market and extremely strong competition, the retail oil sector in Republic of Macedonia, which was and still is a subject to continuous transformation, lies to incomparably more static platform in terms of participation and intensity of competition. In essence, the sector of oil derivatives in Macedonia includes the following activities⁶: import and export of crude oil and oil products, crude oil production, bio fuel production, and distribution and sales of oil products. Therefore, it is important to distinguish that by its structure, Macedonian oil companies are horizontally integrated and they only participate in one segment – refining and distribution of oil derivatives, where the volume of competitive activities is the largest. Key companies that emerge as leaders in terms of refining, distribution and sales of oil products in Republic of Macedonia are: refinery OKTA AD, Makpetrol AD and Lukoil Macedonia.

⁶ MANU: "Strategy for energy development in Republic of Macedonia for the period 2008-2020 with vision to 2030" Macedonian Academy of Sciences and Arts (2009), p.44

Refinery OKTA which is also the largest and only refinery in Macedonia, from 1999 is owned by a private strategic investor from Greece E.L.P.E.T. Balkanika. The product lines of Makpetrol and Lukoil are slightly different, especially in terms of benefits for customers.

Table 1: Type of fuels of Makpetrol AD and Lukoil Macedonia

Makpetrol AD	Type of fuel	Lukoil Macedonia	Type of fuel
<i>Ultra 95 + Economy (Euro Super 95)</i>	Gasoline	<i>EKTO Sport (Euro Super 98)</i>	Gasoline
<i>Ultra 100 Race Pro (Euro Super 100)</i>	Gasoline	<i>EKTO Plus (Euro Super 95)</i>	Gasoline
<i>Ultra Diesel Power Jet (Euro Diesel EC)</i>	Diesel	<i>EKTO Diesel (Euro Diesel BS)</i>	Diesel
<i>Ultra Diesel Bio Jet (Bio Diesel B6 EC)</i>	Diesel	<i>LPG</i>	Liquefied Petroleum Gas
<i>Ultra LPG</i>	Liquefied Petroleum Gas		

Source: Macedonian Academy of Sciences and Arts: “Strategy for Energy Development in Republic of Macedonia for the period 2008-2020 with vision to 2030” (2009), p.44.

Table 1 indicates the type of fuels offered by the two companies on the market. In its production program, Makpetrol offers high quality fuels produced by cutting edge technology and designed according to the highest European and world standards. The advantage of these fuels is reflected in the fact that they were designed with aim to produce more power and lower costs for customers and lower emission of gas. On this way, Makpetrol’s management created double value for customers – more economical fuels which are positioned in line with those of the competition

and environmental protection. Viewed from a marketing perspective, for the same price, customers receive high quality fuels which improve the relative performance of their vehicles. In a similar way as Makpetrol, the product line of Lukoil is primarily designed to provide customers with a product that not only meets the basic energy needs of customers but also it is conceptually and chemically structured based on the highest environmental standards. The supply of oil as a commodity product is no longer considered sufficient to satisfy customers' needs. Integration of quality is vital in order to enhance the supply of oil and to distinguish the fundamental advantages of the key rivals on the market.

4. RESEARCH

The main objective of the research is to analyze customers' satisfaction from the products and services of the two leading oil distributors in Macedonia. The descriptive method, along with all its modalities, will have a central role in the research which means the research will include analyzing, comparing, and generalization.

For the purpose of adequately responding to the research question, the research is conducted by using a structured questionnaire on the sample of oil consumers and its satisfaction from the oil companies. The main research problem is about how much Macedonian consumers are satisfied or dissatisfied with the products of Makpetrol AD and Lukoil Makedonija. The results from the research are obtained on a sample of 300 respondents and data is obtained by using the electronic tool for research and statistical processing of data Survey Monkey. Thus, this research incorporates the following phases: collecting data, grouping and displaying data, and analysis and conclusion. The questionnaire was distributed electronically in Skopje by using email and social media networks. The questionnaire included respondents from different age, sex, and education level. In the sample, 300 respondents from Skopje are included, from which 57% are man and 43% are woman. More than half of all respondents (68%) are with higher education whereas 28% are with high school education.

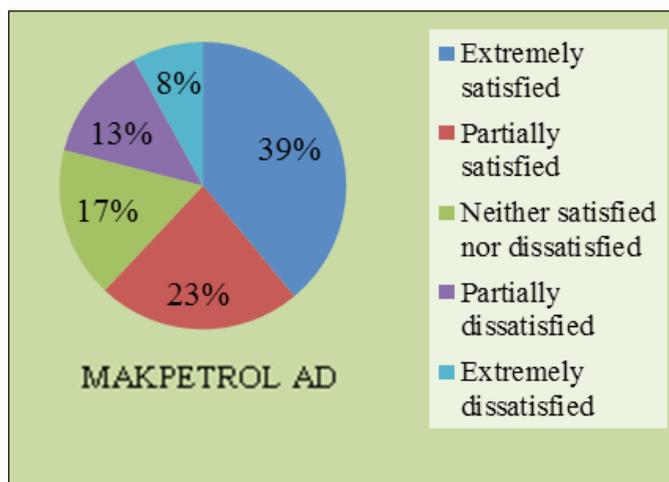
The questions within the questionnaire are defined to primarily generate information from the respondents about the quality of fuel and oil derivatives in general, and customers' preference toward certain product or company. The research was conducted in July 2015. The content of the

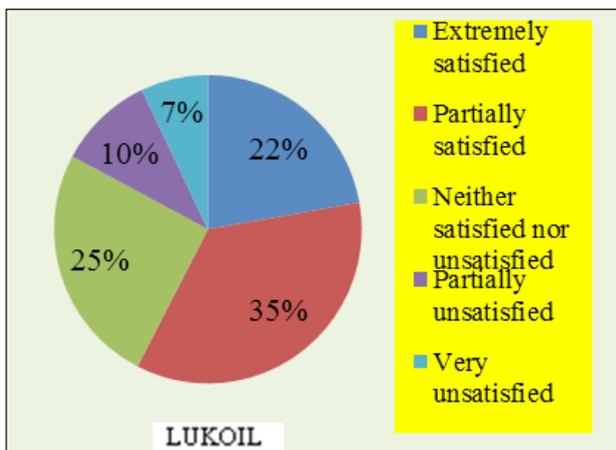
questionnaire consists of 10 questions divided in three main parts. First, all the questions are structured with a multiple choice answer whereas the initial part is designed to evaluate, from a general aspect, the satisfaction of customers from the products and services of Makpetrol and Lukoil Makedonija. Second, in the middle part of the questionnaire, the focus is put on the value that customers generate from the products and services of the two companies or the degree of preference which consumers demonstrate toward the two brands. The third part of the questionnaire is designed to determine how likely satisfied customers are willing to buy a product again from the two companies and how likely customer will recommend these two companies to their friends and family.

5. RESULTS ANALYSIS

Based on the research results, respondents were overall more satisfied from the products and services of the retail oil distributor Makpetrol AD. Hence, only those results from the questions considered significant for the research objective are presented. Both results from the questionnaire for Makpetrol AD and Lukoil are presented simultaneously. Concerning the question: *Overall, how satisfied/unsatisfied are you with our company?*, the following results were received:

Chart 1: Overall customer satisfaction of oil companies in Macedonia



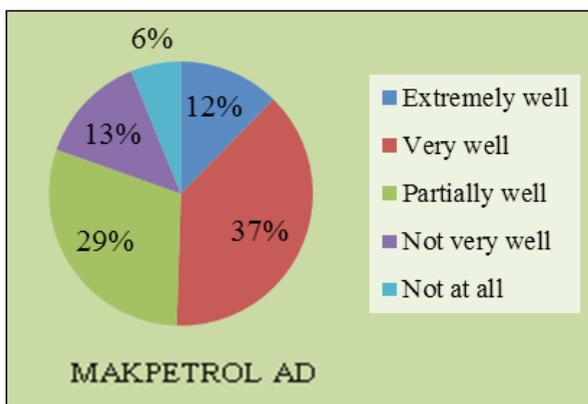


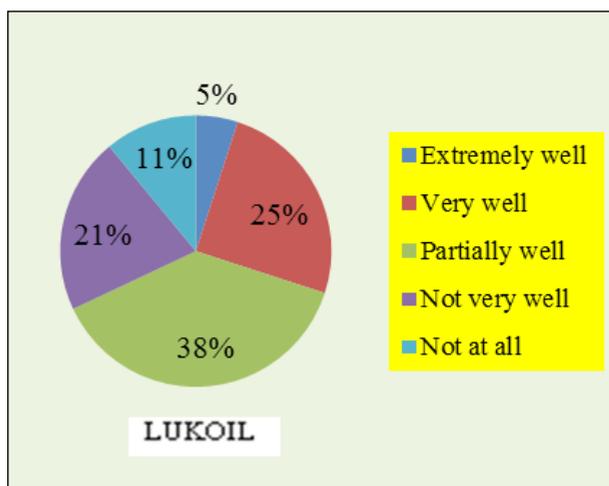
Source: Authors' research

As displayed on Chart 1, the answers indicate that 39% of the respondents are satisfied with the oil company Makpetrol AD and only 22% of the respondents were extremely satisfied with the oil company Lukoil Macedonia.

Regarding the question: *How well our products satisfied your needs?*, Chart 2 indicates that 12% of the respondents were extremely satisfied with Makpetrol products, and 5% percent of respondents were extremely satisfied with Lukoil products. These results indicated that consumers are more satisfied with the products of Makpetrol. Thus from the answers given we can conclude that consumers generally prefer to use the products of Makpetrol.

Chart 2: Customer satisfaction from oil products in Macedonia

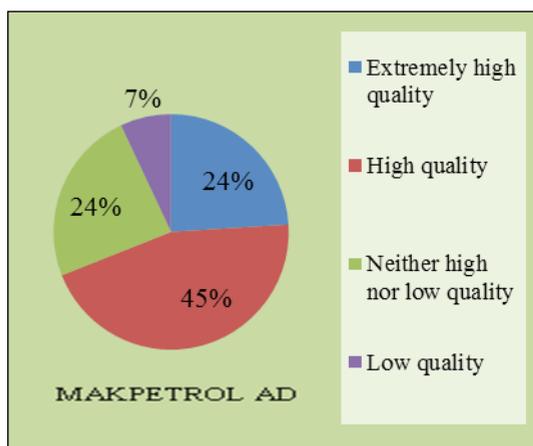


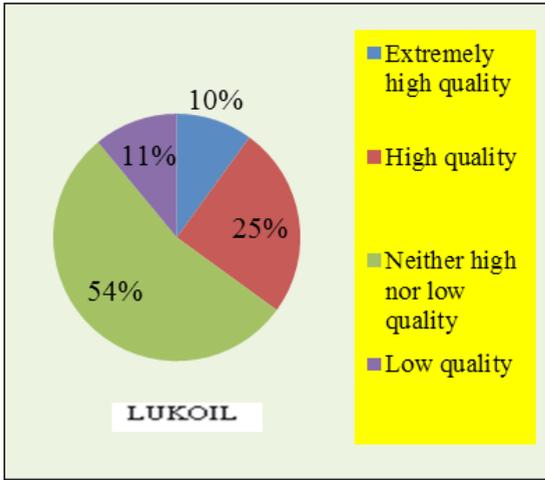


Source: Authors' research

Regarding the question: *How would you assess the quality of our products?*, Chart 3 indicates that 24% of the respondents consider Makpetrol products are with extremely high quality whereas 10% considered Lukoil products with high quality. From the given results presented in Chart 2, we can conclude that respondents consider that Makpetrol products are with better quality. Respondents' perceptions are primarily based on the longer experience that they had with this company, considering the fact that Makpetrol is one of the biggest and oldest oil distributors in Republic of Macedonia.

Chart 3: Quality of oil products in Republic of Macedonia

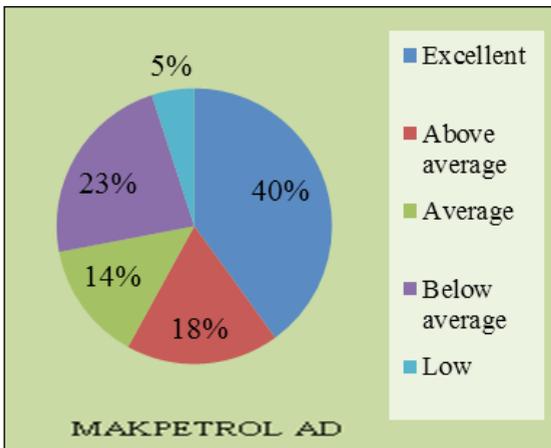


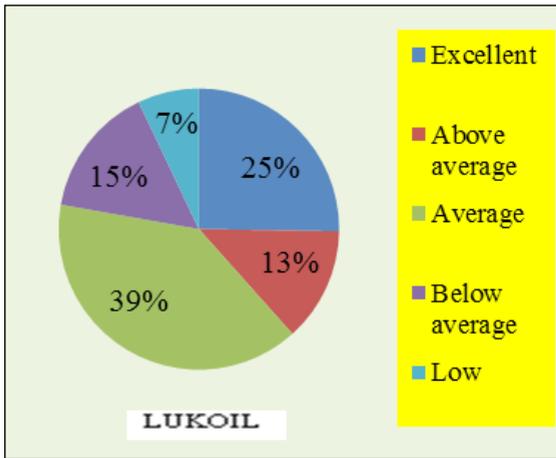


Source: Authors' research

Regarding the question: *How would you rate the 'value for money' of our products?*, Chart 4 indicates that the majority of the respondents or 40% rated Makpetrol's value for money as excellent and only 7% of the respondents considered Lukoil's value for money as excellent. This data indicates that customers, when making a purchase, generate more value for money – customers receive more efficiency and effectiveness of the purchase itself.

Chart 4: The value for money customers receive during purchase

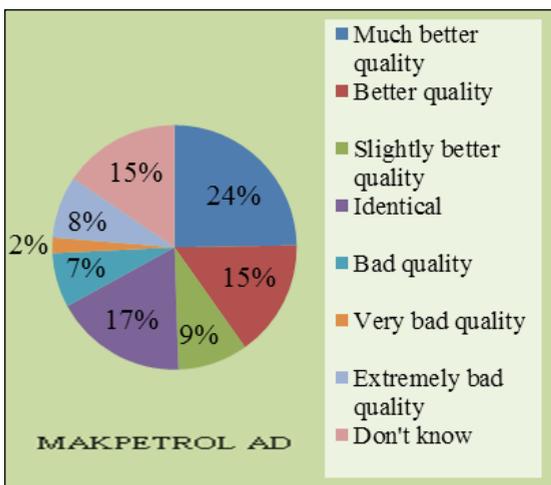


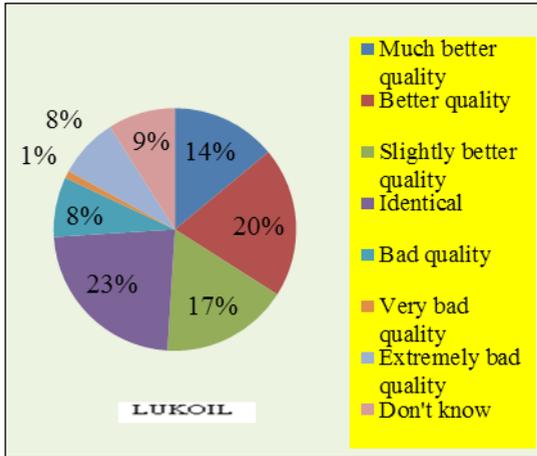


Source: Authors' research

Regarding the question: *Compared to our competitors, are our products with better quality, identical or worse?*, Chart 5 indicates that the majority of the respondents or 24% answered that Makpetrol products are with much better quality and 14% of the respondents considered Lukoil products with much better quality. This data indicated that customer have more faith in Makpetrol products mainly due to the advanced composition of its product line (advanced fuels with high octane composition).

Chart 5: Customers' perception about competitive products

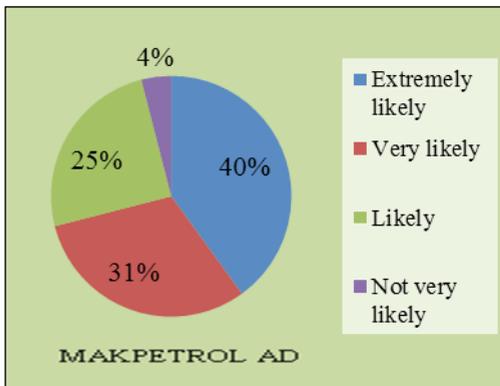


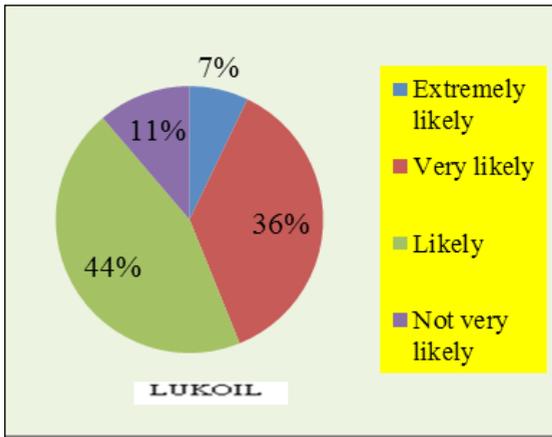


Source: Authors' research

Regarding the question: *How likely are you to purchase any of our products again?*, Chart 6 indicates that 14% of the respondents answered that they will extremely likely buy Makpetrol's products again and 7% of the respondents answered that they will extremely likely buy Lukoil products. The results indicate that customers tend to demonstrate repeated purchasing toward Makpetrol products as well as strong brand loyalty.

Chart 6: Customers recommendation

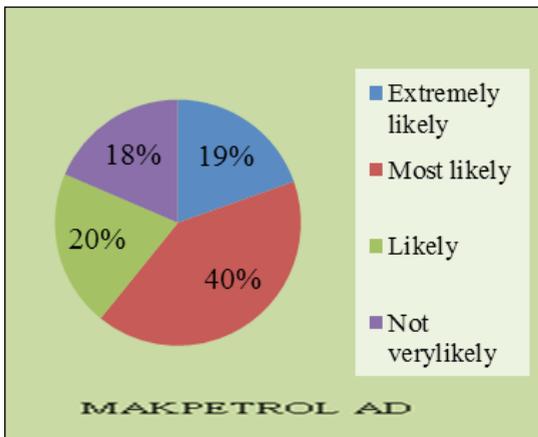


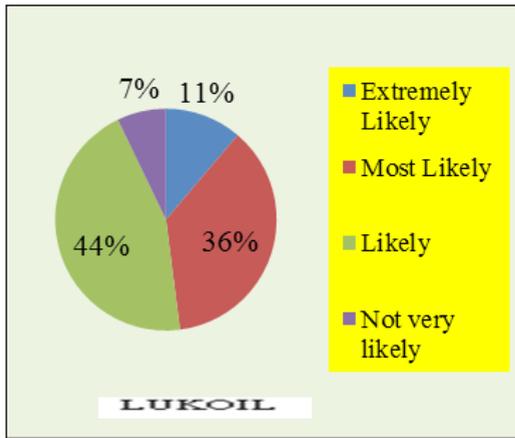


Source: Authors' research

Regarding the question: *How likely would you recommend our company to your friends and family?*, Chart 7 indicates that 40% of the respondents will extremely likely recommend Makpetrol to their friends and family and only 7% answered that they will extremely likely recommend Lukoil to their friends and family. The results clearly indicated that customers overall satisfaction is much higher with Makpetrol which in turn generates repeated buying and positive word of mouth.

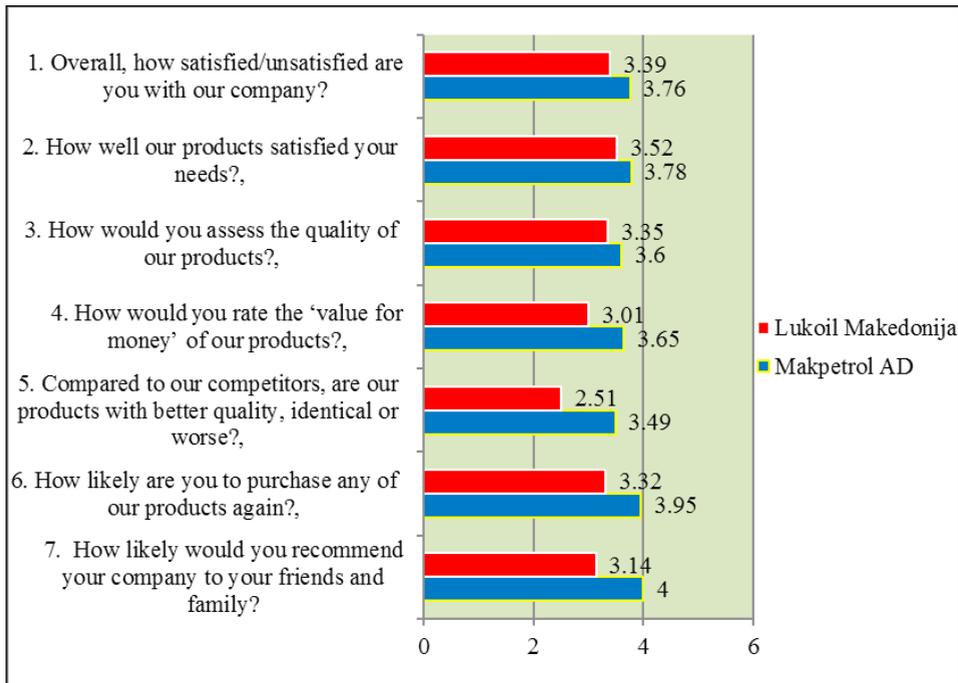
Chart 7: Customers degree of recommendation





Source: Authors' research

Chart 8: Comparing answers for Makpetrol and Lukoil based on the average value of each questions

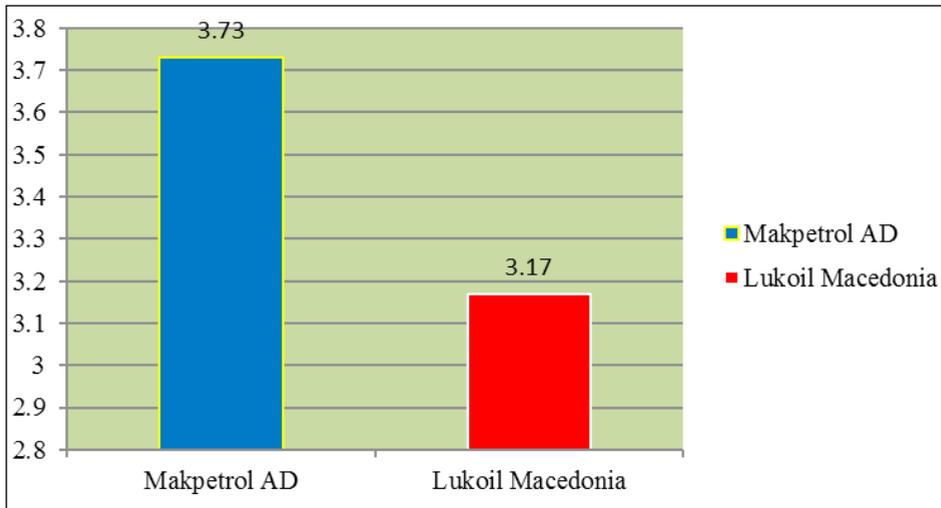


Source: Authors' research

Chart 8 indicates the average value of responses in terms of the total number of respondents. Responses are ranked on Likert scale from 1 (very dissatisfied) to 5 (very satisfied). When viewed from a comparative aspect, customer satisfaction from the two companies is relatively different. Regarding the first question - Overall, how satisfied/dissatisfied are you with our company? - Customers are overall more satisfied (3.76) with the company Makpetrol. On the other hand, customers are neutral (3.39) or neither satisfied nor unsatisfied from the company Lukoil. The second question - How well our products satisfied your needs?-revealed that Makpetrol products meet customers' needs very well (3.78) while the products of Lukoil partially satisfied (3.52) the needs of customers. The third question - How would you assess the quality of our products? – indicated that Makpetrol products are with high quality (3.6) while the products of Lukoil are neither with high nor with low quality (3.35). The fourth question - How would you rate the 'value for money' of our products? – revealed that Makpetrol value for money is above average (3.65). On the other hand, respondents rated Lukoil value for money as average (3.01). Regarding the fifth question - Compared to our competitors, are our products with better quality, identical or worse? – Respondents rated Makpetrol products with better quality (3.49) while the products of Lukoil were evaluated as identical (2.51). The sixth question - How likely are you to purchase any of our products again? – Majority of the respondents answered that they will very likely (3.95) re-buy products from Makpetrol while other respondents answered that they will not likely re-buy the products of Lukoil. Lastly, the seventh question - How likely would recommend our company to your friends and family? – indicated that the majority of the respondents will very likely (4) recommend Makpetrol to their friends and family and on the other hand, they will likely (3.14) recommend the company Lukoil to their friends and family.

The average value displayed on Chart 9 indicates the sum of all questions which reveals customers overall satisfaction from both companies.

Chart 9: Overall customer satisfaction from Makpetrol and Lukoil



Source: Authors' research

Conclusion

The research results have projected an evident difference of customer satisfaction among two biggest oil distributors in Republic of Macedonia, According to the research results, customers are generally more satisfied with the products of Makpetrol AD, due to its differentiated and quality products, higher value for money and positive rate of future recommendation. This confirms our previous theoretical discussion which proclaimed that the more customers are satisfied with a particular product the greater the chances to increase the number of repeated purchase or to transfer their positive experience to their friends. Also, the research results revealed that customers are more satisfied with the company Makpetrol AD, primarily due to the better adaptation of the company itself to its domestic consumers as well as multi practice in terms of the daily satisfaction of their needs and wants. On the other hand, lower customer satisfaction from Lukoil Macedonia is maybe a result from the emphasized global standardization of marketing activities and strategy in general, which in essence is risky and not always productive when entering new markets. If a company knowingly disregards these elements, it is more than likely that customers

will switch to competitive products which are willing to adapt its program and overall marketing efforts in order to adequately respond to the needs of local customers.

Customer satisfaction in the Macedonian retail oil sector is certainly an issue on which a significantly greater attention should be given in future. In commodity industries, customers are those which determine companies' profitability, hence understanding of customer preferences is essential for future growth oil companies in Republic of Macedonia.

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