An Empirical Study on Retail service Quality and its impact on Customer Loyalty; Special reference to Super markets in Jaffna District.

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Abstract

Retail Service quality is viewed as one of the most interesting and discussed concepts in the service marketing paradigm.Nowadays, people have changed their mind-sets from traditional retail shops to modern trade shopsThis study purely focused on people, who approach super-markets only. North Way, TCT, ANFC and Cargills are the well-established super markets in Jaffna, where many people satisfy their purchasing needs, on their way to home. Extent studies in relation to loyalty have deeply focused on the "satisfaction leading to loyalty" (Baumann et al., 2011) and no fruitful study has been provided, measuring the retail service quality and customer loyalty yet. Therefore, this study was intended to make a significant contribution to the field of retail service quality and customer loyalty in Sri Lankan perspective.In this view, this research study aimed to analyze the impact of retail service quality on customer loyaltyin super markets in Jaffna District. The study was conducted through questionnaire survey and interview from the customers in the supermarkets. The results of the study showed that the retail service quality has a significant impact on customer loyalty in super markets.and results from the hypotheses indicated that there is a significant positive relationship between the retail service quality as well as the sub dimensions of the retail service quality (physical aspects, reliability, personal interaction, problem solving & policy) and customer loyalty.Finally,the study emphasizes that super markets have to improve their activities in connection with retail service quality and its sup dimensions.

Keywords: Service Quality**,** Retail Service Quality, Customer Loyalty andSuper Markets.

1. Introduction

1.1. Back ground

Currently, people have changed their mind-sets from traditional retail shops to modern trade shops. Modern retailers consist of hypermarkets, supermarkets, and convenience stores. A hypermarket is a very large self-service store that sells products usually sold in department stores and supermarkets. A supermarket is a self-service store, offering a wide variety of food and household merchandise, organized into departments. It is larger than a traditional grocery store and smaller than a hypermarket. Convenience store is a small-sized conveniently located store which provides limited number of merchandises and opens usually early to late-night hours. This study purely focuses on people, who approach super-markets only. After the civil war, Jaffna has been given top-priority with essential infrastructure facilities to restore economic status. Recently, Northway Food City, TCT Food City, ANFood City and Cargills are the well-established super markets in Jaffna District, where many people satisfy their purchasing needs, on their way to home.

There have been a number of studies, investigating the influence of retail service quality on customer loyalty. While, in developed countries more consideration has been given on retail service quality (plooy*et al.*, 2012). In addition to that, retail service quality is linked and connected with customer satisfaction, loyalty and retention in the globalized level. In line with, loyalty has become a crucial construct in marketing over the past decade, and particularly in the growing field of customer relationship management (Ball *et al.*, 2004; Soderlund, 2006). However, the studies relevant to these topics are rarely examined in Sri Lanka, which initiate the researcher to fulfill the empirical gap. Therefore, this study is intended to make a significant contribution to the field of retail service quality and customer loyalty in Sri Lankan perspective.

1.2. Research Problem

In this competitive market, consumers are the part and partial of the market. However, they are moving from traditional retail shops to modern retail shops for make their life smarter than ever before. Therefore, the customers or the people who are in Jaffna District prefer to purchase the goods and services from modern retail outlets. Especially after the post war context, there were several service organizations and financial institutions are penetrating to the Jaffna market. Because it has potential market for all organizations in the outside of

district. Even though it has being the potential market, there were lacks of studies to fit retail service quality and customer loyalty. This study might give the pathway to tackle below mentioned research problems with regards to empirical and practical need.

In line with, this study is focused to answer the questions of **"What extent retail service quality influences the customer loyalty in the retail supermarkets?" And "Is there any association between retail service quality and customer loyalty?"**

1.3. Objectives of the Research

This research mainly focused on the following objectives related to Retail service quality and Customer loyalty in supermarkets. The main objective of the study is

To examine the impact of retail service quality on customer loyalty with special reference to Jaffna district.

In addition to the main objective this research concentrates the following as sub objectives.

1. To analyze the relationship between retail service quality and customer loyalty.
2. To identify the significant impact of sub dimensions of the retail service quality (physical aspect, reliability, personal interaction, problem solving & policy) on customer loyalty.
3. To find out the significant association between sub dimensions of the retail service quality (physical aspect, reliability, personal interaction, problem solving & policy) and customer loyalty.

2. Review of Literature

Literature review consisted of the following outlooks in connection with the research.

2.1. Service Quality – Introduction

Quality is an elusive and indistinct construct. Often mistaken for imprecise adjectives like "goodness, or luxury, or shininess, or weight" (Crosby 1979), quality and its requirements are not easily articulated by consumers (Takeuchi & Quelch 1983). Explication and measurement of quality also present problems for researchers (Monroe & Krishnan 1983), who often bypass definitions and use one-dimensional self-report measures to capture the concept (Jacoby, Olson, & Haddock, 1973; McConnell, 1968; Shapiro, 1972).

In today's world of intense competition makes a firm's stability to deliver high quality service that results in satisfied customers are the key to a sustainable competitive advantage (Shemwell*et al*., 1998).

Service quality as the extent to which a service meets customers' needs or expectations (Lewis and Mitchell, 1990; Dotchin& Oakland, 1994a; Asubonteng*et al.*, 1996; Wisniewski and Donnelly, 1996). Service quality can thus be defined as the difference between customer expectations of service and perceived service.

If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman *et al.*, 1985; Lewis and Mitchell, 1990).

2.2. Retail Service Quality

Based on Tony Kent, Ogenyi Omar, (2003), Retailers provide important functions that increase the value of the product and services they sell to consumers and facilitate the distribution of those products and services for the manufacturers to produce them.

These value-creating functions include:

1. Providing an assortment of products and service

2. Breaking bulk

3. Holding inventory

4. Providing services (Levy *et al.*, 2004)

2.2.1. Retail Service Quality Scale (RSQC)

It has been empirically tested in a number of studies involving "pure" service setting (e.g., banking, long-distance telephone service, securities brokerage, and credit card service), it has not been successfully adapted to and validated in a retail store environment (Dabholkar *et al.*, 1996; Finn & Lamb, 1991; Mehta *et al.*, 2000).

Service quality in retailing is different from any other product/service environment (Hanjunath & Naveen, 2012; Gagliano & Hatchcote, 1994; Finn & Lamb 1991). In retail setting, especially retail stores where there is a mix of product and service. Retailers are likely to have impact on service quality more than on product quality (Dabholkar, *et al.* , overall service quality was viewed as a higher or second order factor. Dabholkar, *et al.*, (1996) conducted qualitative studies to construct the instrument and used phenomenological interviews, exploratory depth interviews, and tracking the customer through the store as methodologies. They found out that the scale possessed a strong validity and reliability in US. Dabholkar *et al.,* (1996) identified 5basic dimensions to evaluate retail service quality and they are viz. as follows;

- Physical aspects - retail store appearance and store layout

- Reliability - retailers keep their promises and do the right things

- Personal interaction - retail store personnel are courteous, helpful, and inspire confidence in customers

- Problem solving - retail store personnel are capable to handle returns and exchanges, customers' problems and complaints

- Policy - retail store's policy on merchandise quality, parking, operation hours, and credit cards.

2.3. Customer Loyalty

Customer loyalty has been largely treated by researchers as either repurchase behavior (e.g. Winner *et al.*, 1998; Loveman, 1998; Soderlund, 1998) or repurchase behavior combined with an attitudinal component (e.g. Dick and Basu, 1994; Andreassen and Lindestad, 1998; Oliver, 1997; De Ruyter *et al.*, 1998; Lemmink and Mattsson, 1998; Griffin, 1995; Price and Arnould, 1999). Consumer loyalty is considered as an important key to organizational success and profitability (Oliver, 1997; Divett*et al.*, 2003).

2.4. Previous Researches in Retail Service Quality and Customer Loyalty

Apart from Dabholkar *et al*., (1996) contribution, there are also other studies by numerous authors relating to this area, many of which replicated the RSQS in their own culture and research settings.

The research results of Sin and Chenug (2002) proved that the RSQS was applicable in Hong Kong, albeit some modification is required. Six service quality dimensions emerged from their research and policy was considered as the most favorable dimension while personal interaction was rated as the weakest dimension.

A study by Mehta, Lalwani and Han (2000) has proved that the scale proposed by Dabholkar, Thorpe and Rentz was slightly better than SERVPERF in measuring the service quality in supermarkets while the reverse was true in measuring service quality in electronic goods retailers in Singapore.

Nhat and Hau (2007) concluded that personal interaction and problem solving as the key factors impacting customer's perception on service quality. Further they stated that policy and physical aspects as other factors that customer concerned at supermarket.According to Ushantha, Wijeratne and Achchuthan (2014) found, retail service quality in Sri Lankan supermarkets is positively associated with customer satisfaction.

3. Research Methods
3.1. Conceptual Frame work

Based on the Literatures, the following conceptual model was constructed. This model of Retail service quality introduces new constructs and uniquely combines them in specifying that the customer loyalty.

Figure 3.1: Conceptualization model
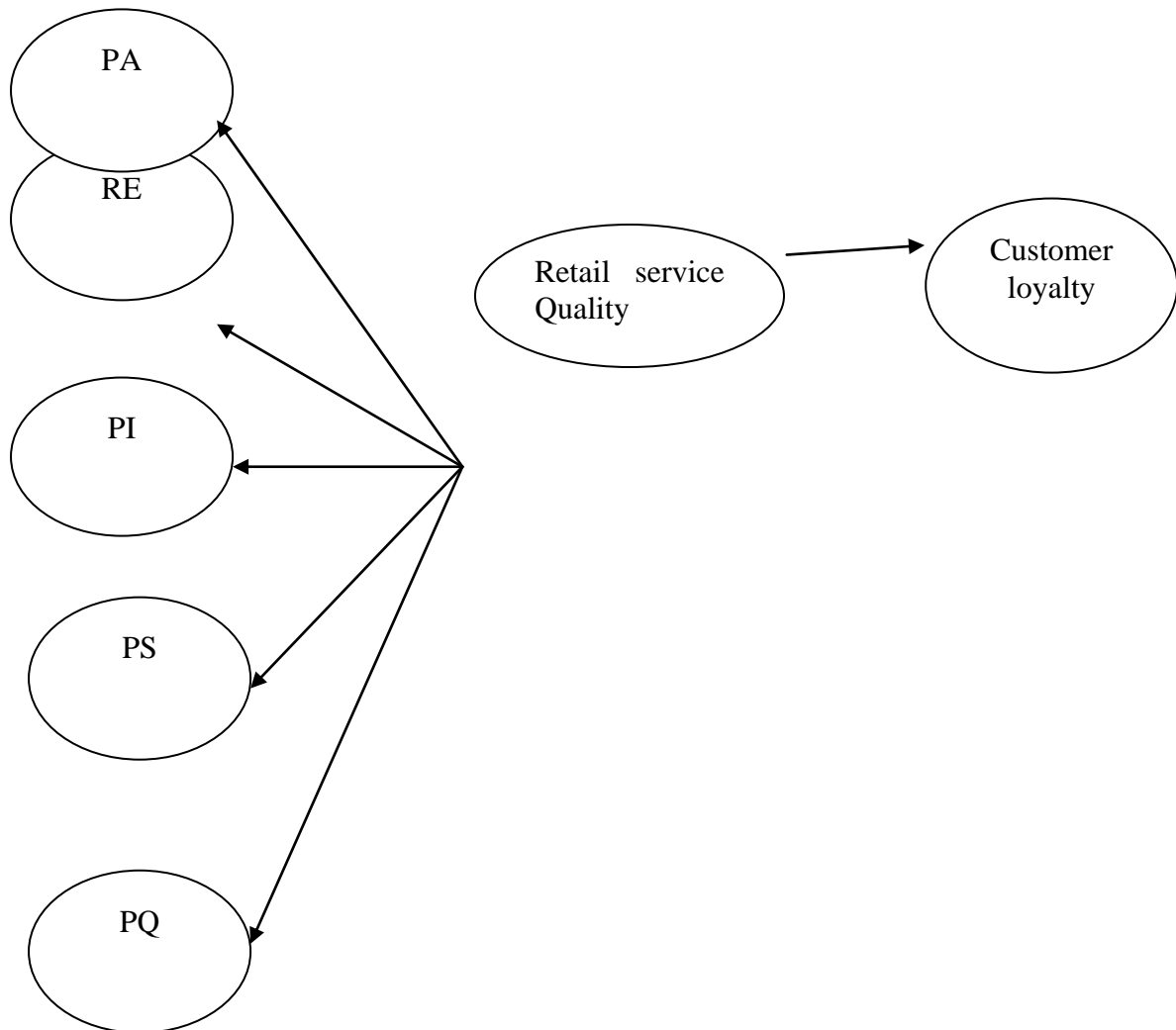
Source (developed by researchers)
PA : Physical Aspect
RE : Reliability
PI : Personal Interaction
PS : Problem solving
PO : Policy

Table 3.1. Operationalization

Concept	Variable	Indicators to measure
1. Retail service quality	Physical Aspect	Appearance
		Convenience
	Reliability	Promises
		Doing it right
	Personal Interaction	Inspiring confidence
		Courteous / Helpfulness
	Problem Solving	Willingness in returns and exchange
		Complaints handling
	Policy	High quality merchandise
		Auxiliary Services
2.Customer Loyalty	Attitudinal Loyalty	First choice
		Brand personality
		Competitive advantage
	Behavioral Loyalty	Business Intention
	Recommendation Behaviors	Positive Word of mouth
		Word of encouragement
	Price Loyalty	Purchase intention without price concern
		Price with Perceived benefits

3.3. Population and sample of the study

The population of the study was the consumers of the supermarkets in Jaffna District. The most leading four supermarket brands in Jaffna were selected for the study namely North Way, TCT, Annai Naga Food City(ANFC), and Cargill's outlets. Systematic Random sampling method was used to select the respondents of the study.

3.4.Data collection Methods and techniques

The researchers collected the data as primary and secondary by using the following techniques.

- Questionnaires
- Interviewing
- Personal Observation

In this context, the structured questionnaire was given to five consumers in every one hour who shopped at supermarket outlets and who confirmed their willingness to response to the questionnaire. They were selected on based on systematic sampling technique. Researcher has issued one hundred (120) questionnaires for selecting the respondent. Out of one hundred (120) questionnaires, eighty four (114) were returned; the response rate was 95%.

3.5. Data Presentation and Analysis Tools

There are several useful presenting and analyzing methods available to researchers. In this research purpose, Researchers used charts and Tables for the data presentation. For the Statistical Analysis, Descriptive Statistics, correlation Analysis and Regression Analysis were used through SPSS statistical software to check the research hypothesis .

3.6. Hypothesis

Hypothesis is a proposition which the research wants to verify. Hypotheses are generally concerned with the causes of a certain phenomenon or a relationship between two or more variable under investigation. In this range, the following hypotheses were developed to fulfill the specific objectives of this study.

H1: There is a significant impact of retail service quality on customer loyalty

H2: There is a significant positive relationship between retail service quality and customer loyalty

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4.0. Results and Discussion
4.1. Reliability and Validity Analysis
In order to confirm the reliability of the data. The well-known measure of Cronbach's alpha was computed to measure the internal consistency of the measurement items. In addition, Manually, (1978) and Hair et al., (2018) recommend that the value of Cronbach's alpha should exceed 0.70, it indicates good internal consistency among data. Even though Cronbach Alphas of 0.6 and above are deemed acceptable in emerging markets (Burgess & Steenkamp, 2006). The respective Cronbach Alphas are reflected in Table 4.1.

Table 4.1. Cronbach Alphas

Dimension	Cronbach's Alpha value
Physical Aspect	0.884
Reliability	0.857
Personal Interaction	0.853
Problem Solving	0.872
Policy	0.870
Customer Loyalty	0.872

Source: Analyzed data

It was indicating good internal consistency among the items within each dimension and each variable. And overall Cronbach alpha value was 0.888.

Validity test is used to accurately assess the construct for this research study. Meanwhile, convergent validity and discriminate validity were used to establish construct validity. According to Heppner and Heppner (2004) if the two instruments that are intended to measure is highly correlated then it is convergent validity but if the two instruments that are intended to measure is not correlated or small correlation then it is discriminate validity

4.2. Descriptive Statistics

In this research, descriptive statistics have been measured on the independent variables and depended variable, which consist of Physical Aspect, Personal Interaction, Policy, Problem Solving, Reliability and customer loyalty. Result will be show in mean and ranked in position of 1 to 7 (Likert scale). The highest result in Mean would determine that respondents are more likely to agree into particular variable towards retail service quality and customer loyalty.

Table 4.2. The Descriptive statistics of the variables

Dimensions	Range	Mean	Std. Deviation	Variance
Physical Aspect	3.67	6.2904	0.57937	0.336
Reliability	3.50	6.1010	0.67552	0.456
Personal Interaction	3.90	6.1949	0.67843	0.460
Problem Solving	5.00	5.9312	0.97077	0.942
Policy	4.40	6.2263	0.69997	0.490
Retail Service Quality	2.95	6.1488	0.59572	0.355
Customer Loyalty	4.90	5.9035	0.80199	0.643

Source: Analyzed data

According to Table 4.11, physical aspect has the highest mean of 6.2904 whereas problem solving has the lowest mean of 5.9312. Even though mean & standard deviation are in the same level among all the constructs approximately. Based on the mean value all the respondents perceived the retail service quality and customer loyalty favorable.

4.3. Major Hypothesis findings
The conclusions regarding hypotheses have been made in the following sections.

Table 4.3: Hypotheses Testing

Hypotheses	Values scored	Determination	Tools
H1 : There is a significant impact of retail service quality on customer Loyalty	beta = 0.475 p = 0.001 (p < 0.05)	Accepted	Regression
H2 : There is a significant relationship between retail service quality and customer loyalty	r = 0.685 p = 0.000 (p < 0.05)	Accepted	Correlation

Source: Analyzed data

In this model (see table 4.3), beta (Standardized Coefficient) was 0.475. Which indicate that the impact of retail service quality on customer loyalty of super markets was affected by 47.5%. Relationship indicated by the correlation value was 0.685 . it reveals that there is significant positive relationship between retail service quality and customer loyalty. Therefore both hypothesis are accepted.

5. Conclusions

The results of this research could be concluded that, customer loyalty is contributed by retail service quality significantly. In addition to that problem solving, personal interaction & as well as policy significantly contributed to customer loyalty and also reliability and physical aspect are not contributed significantly in customer loyalty. Furthermore, the study result revealed that there is a significant relationship between retail service quality and customer loyalty. Fascinatingly, retail service quality is positively associated with customer loyalty, moreover moderate positive association has been found.

Further the researchers can also recommend that the potential researchers are likely to focus on retail service quality and customer loyalty in all island level and as well as the south Asian continent to come the general conclusion on in what extend retail service quality influence on customer loyalty.

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