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ENHANCING CUSTOMER LOYALTY OF SUPERMARKETS THROUGH RETAIL SERVICE QUALITY (RSQ): EVIDENCE FROM SRI LANKAN CONTEXT

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ABSTRACT

Delivery of high RSQ is regarded as basic retailing strategy to enhance the competitive advantage, which makes retailers challengeable among competitors in the hyper competitive environment. The main purpose of this study is to empirically investigate the influence of RSQ on customer loyalty. Whilst customers' demographical factors (gender, age, educational qualification, occupation, and family income) acts as a control variable to measure the customer loyalty. For that purposes 373 usable responses are acquired by means of the systematic quasi-random sampling technique. Causal research approach under the conclusive research design was used in this study by the quantitative way to find out the influence of RSQ on customer loyalty. This empirical study indicated that, Retail service quality contributes significantly to Customer loyalty ($F= 68.194$; $P < 0.05$) and predicts 48.2 percent of the variation found. At the same time the direct effects of RSQ & control effect of customers' personal demographical factors was significant and explained 50.4% variance in on customer loyalty.

KEYWORDS: *Retail Service Quality, Customer Loyalty, Personal demographical factors, Supermarket, Retail.*

1. INTRODUCTION

Both marketing academics and practitioners have become increasingly interested in this concept Retail Service Quality (RSQ). Rapidly changing retail environment along with the upward movements in customers' expectations, demands and their knowledge require retailers to respond differently in recent years (Amorim & Saghezchi, 2015). In this context, providing high RSQ is considered a basic retailing strategy for gaining competitive advantage (Gopalan & Satpathy, 2013). There are numerous firms operating in the retailing

industry, so intense competition prevails there to gain competitive advantage in this industry, retailers need to give better value and satisfaction to their customers than their competitors do (Armstrong, Adam, Denize, & Kotler, 2014). Karjaluoto, Jayawardhena, Pihlström, and Leppäniemi (2015) suggest that enhancing RSQ will enable retailers to create more customer value which would make customers loyal to particular store or retailer.

Customer loyalty has evolved a crucial construct in marketing paradigm over the past decade, and particularly in the growing field of

customer relationship management (Armstrong, Kotler, Harker, & Brennan, 2015; Söderlund, 2006; Toufaily, Ricard, & Perrien, 2013). Because loyalty customers are sustainable revenue contributors (Berezan, Raab, Yoo, & Love, 2013), as well as free and credible WOM providers, such that they help bring new customers to the company (Garnefeld, Helm, & Eggert, 2011). Oliver (1999) defines customer loyalty as “*a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (p. 34)*”. Therefore, marketers need to develop their strategic marketing efforts for enhancing customer loyalty to their organization and to their brands by enriching superior customer value.

For all intents and purposes, in the retailing sector, enhancing RSQ is recognized as the best strategic tool to keep customers loyal to the store or retailer (Dabholkar, Thorpe, & Rentz, 1996; Sheikh & Lim, 2015). It is also suggested and evidenced in the recent years that, adopting practices to deliver the high RSQ sustain the loyalty in the long term perspective (Demirci-Orel & Kara, 2015).

Generally, retailing is considered different from pure services, such as education and medicine. Retailing combines both commodities and services (Sivapalan & Jebarajkirthy, 2017b). This unique characteristic taps researchers’ interests in using a specific scale to measure retailing service quality (Dabholkar et al., 1996; Wong & Sohal, 2003). However, the extant literature has rarely documented studies that apply RSQ. Similarly, research studies relating to influence of RSQ on consumer behavioral outcomes, such as satisfaction, purchase intention, loyalty and retention, are scant. In order to fill this gap, this study intended to make a significant contribution to the field of retail service quality and customer loyalty in Sri Lankan perspective. Thus, this study purely focuses on customers, who approach supermarkets only. Recently, Cargills food city, TCT Trade center and Annai Naga food city are the well-established super markets in Jaffna town. Thus the aim of this study is twofold: first is to investigate the impact retail service quality on customer loyalty. Second is to explore whether customer satisfaction plays a mediating role between CSR and customer loyalty. So this study will significantly contribute to literature relating to RSQ, customer satisfaction, and customer loyalty.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Retail Service Quality (RSQ)

SERVQUAL and SERVPERF have been empirically tested in a number of studies involving “pure” service setting, it has not been successfully adapted to and validated in a retail store environment

(Dabholkar et al., 1996; Feinberg, 1995; Finn, 1991; Ivanauskiene & Volungenaite, 2014; Mehta, Lalwani, & Li Han, 2000). Because, service quality in retailing is different from any other product/service environment (Bishop Gagliano & Hathcote, 1994; Carman, 1990; Dabholkar et al., 1996; Finn, 1991), it is a mix of product and service, retailer are likely to have impact on service quality more than on product quality (Dabholkar et al., 1996). For this purpose, Dabholkar et al. (1996) developed the Retail Service Quality Scale (RSQS) for measuring retail service quality. Marketing scholars suggest, concept of retail service quality scale might be an appropriate measure in the service quality perceptions of supermarkets (Finn, 1991; Mehta et al., 2000; Sin & Cheung, 2002; Thenmozhi & Dhanapal, 2011; Wong & Sohal, 2003). Further this concept might be used as a basic retailing strategy for enhancing customer value, satisfaction, retention and loyalty relating to retail stores (Arun, Manjunath, & Shivashankar, 2012; Demirci-Orel & Kara, 2015; Ha, Minh, Anh, & Matsui, 2015; Sivapalan & Jebarajkirthy, 2017a; Ushantha, Wijeratne, & Achchuthan, 2014). Therefore, present study evaluates the applicability of the RSQS scale developed by Dabholkar et al. (1996) for measuring retail service quality in Jaffna specially in supermarket context.

2.2 Customer Loyalty

Consumer loyalty is considered as a pivotal to organizational success and long term sustainability (Divett, Crittenden, & Henderson, 2003). The concept of customer loyalty has been largely treated by researchers as either repurchase behavior (Loveman, 1998; Molinari, Abratt, & Dion, 2008; Rust, Zahorik, & Keiningham, 1995; Söderlund, 1998), or repurchase behavior combined with an attitudinal component (Dick & Basu, 1994; Divett et al., 2003; Griffin, 1995; Oliver, 1999; Wallin Andreassen & Lindestad, 1998). From the behavioral, or re-purchase perspective, loyalty consisted of repeated purchases of particular products, whereas attitudinal perspective loyalty included a degree of dispositional commitment, in terms of some unique value associated with the brand (Chaudhuri & Holbrook, 2001; Lin & Wang, 2006). Thus, customer loyalty here was considered bi-dimensional, including both attitudinal commitment and behavioral re-purchase intention (Auka, Bosire, & Matern, 2013; Karjaluo et al., 2015; Lin & Wang, 2006; Oliver, 1999).

2.3 The influence of retail service quality on customer loyalty

Store loyalty is the single most key factor in building retail success and store longevity. Therefore, in this competitive business world, many firms are focusing on their efforts on maintaining a loyal customer base (Auka et al., 2013; Siddiqi, 2011). Therefore, most of the retail sectors established their strategies towards enhancing satisfaction and loyalty

of customers through service quality of service (Levesque & McDougall, 1996; Sivadas & Baker-Prewitt, 2000). In support of this view, Dick and Basu (1994), Bloemer, De Ruyter, and Peeters (1998), and Siddiqi (2011) stated that most research has focused on enhancing the service quality of the store for managing customer loyalty. Thus, a better service quality leads to customer loyalty, as it enriches customer trust towards and satisfaction with the retail sector (Demirci-Orel & Kara, 2015; Ivanauskiene & Volungenaite, 2014; Karjaluoto et al., 2015; Yuen & Chan, 2010). In line with above fact, retail service quality might is been found to have a direct effect on customer loyalty. As a consequence, we formulate the following hypothesis:

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

2.4 Personal Demographic Factors (PDF)

Today, an increasing number of consumers of all demographics are engaged in multi-channel marketing (Persaud & Azhar, 2012; Valaei, Rezaei, & Shahijan, 2016). Because the demographical information are the key to derive and implement an effective segmentations strategies in today’s marketing paradigm(Gupta & Chintagunta, 1994). Demographic variables provide information about physical attributes of consumers that can be used to identify homogeneous groups (Workman & Cho, 2012)and it is varying from person to person (Jamal & Naser, 2003). Further, Yuen and Chan (2010) suggests that the demographic factors such as age,

occupation and income help to gain a comprehensive understanding of the service quality in the retail outlets. Moreover, empirical evidence argues that socio-demographic factors such as gender, age, educational status and income play an important role in determining the consumer behaviour across the world (Ilias, Hasan, & Rahman, 2009; Kuruvilla & Joshi, 2010; Mehra, 2016; Roux, Le Couedic, Durand-Gasselín, & Luquet, 2000; van Waterschoot, Sinha, Van Kenhove, & De Wulf, 2008). Thus, researchers suggested that the demographic profiles of supermarket customers incorporated into the conceptual model as a control variable. In this stance, the present study examines the significance of some key demographic variables: gender; age; and educational qualification on customer loyalty. Therefore, researchers propose the following hypothesis:

H2:There is a significant impact of Personal Demographic factors on Customer Loyalty.

2.7 Proposed Conceptual Model

Based on previously discussed literature review and hypothetical relationships, a conceptual model has been developed for this study, which is illustrated in Figure 1. This model depicts the influence of retail service quality on customer loyalty. Whereas researchers incorporated personal demographic factors (PDF) into the model as a control variable. Hence this model is different from the extant models applied in the Sri Lankan context.

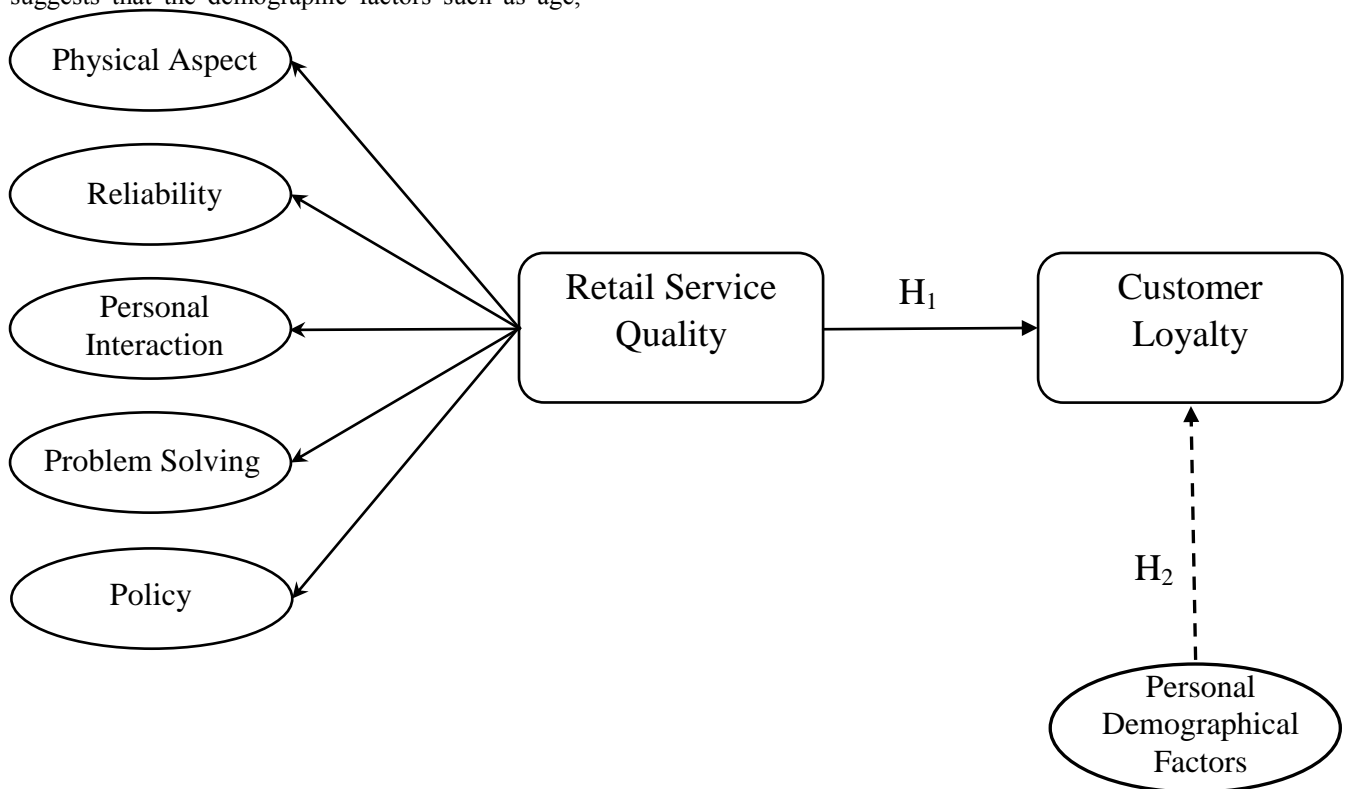


Figure 1: Conceptual Model I

3. METHODOLOGY

3.1 The Study Sample & Survey implementation

Causal research approach under the conclusive research design was used in this study by the quantitative way to find out the influence of Retail service quality on customer loyalty. The population of the study is the consumers of supermarkets in the Jaffna. The most leading three supermarket brands in Jaffna were selected for the study, which are Thiyahie Charitable Trust (TCT) Trade Center, Annai Naga Food City (ANFC) and Cargills supermarket outlets in Jaffna. Systematic quasi-random sampling method was used to select the respondents of the study. This sampling method was chosen because it permits analysis of possible selection bias or error (Oly Ndubisi, 2007). A survey was used to collect the data from the sample customers. Participants were the customers of above 3 leading supermarkets operating in Jaffna, Sri Lanka. Participants were approached within the premises of supermarkets. They received information about the purpose of the survey, and they were assured of their anonymity. Paper-based surveys were distributed to 500 customers. Of these, 427 customers responded to the surveys and returned them. Of these, 54 surveys had missing data, and so were discarded. Table I, presents the demographic profiles of the respondents.

3.2 Measures and instrument development

Self-administered questionnaire was used to collect the data. This survey instrument has previously validated scales, however, these scales were modified to suit the retailing and supermarket

context, where appropriate. The scales of RSQ included 30 items under the five dimensions. These five dimensions of RSQ – physical aspect, reliability, personal interaction, problem solving and policy were measured by 6, 6, 10, 3 and 5 items, respectively. Of this 30 items, 28 items were adopted from Dabholkar et al. (1996) and two from Verma and Duggal (2015). The measures of customer loyalty comprise 10 items under attitudinal loyalty, behavioural loyalty, recommendation behaviours and price loyalty (both attitudinal and behavioral aspects). This loyalty measures were adapted from (Kim & Niehm, 2009). The items operationalizing all the constructs were measured with seven-point Likert type scale ranging from 1 for “Strongly disagree” to 7 for “Strongly agree”. Besides, the first section contains the demographic profile of respondents which consist of name of the supermarket, gender, age, educational qualifications, occupations and monthly income.

To ensure content validity, the survey instrument was vetted by four academics who are experts in marketing and consultancy and three store managers from each brand of supermarket chains. The survey instrument, originally written in English, was translated into Tamil, the respondents’ first language. The survey instrument was translated back into English and was cross-checked by two other bilingual researchers to ensure the reliability and validity of translation. The respondents had the option of responding to either the English or Tamil language survey based on their language proficiency. Table I depicts the demographic profile of respondents.

Table I: Demographic profile of the respondents

<i>Name of the supermarket</i>	TCT Trade Centre (22.5%), Annai Naga Food City (10.7%), Cargills Food City (66.8%)
<i>Gender</i>	Male (46.1%), Female (53.9%)
<i>Age</i>	Below 17 (0.5), 18 – 30 (68.9%), 31 – 40 (20.1%), 41 – 50 (6.4%), 51 and Above (4.0%)
<i>Educational Qualification</i>	GCE (O/L)s and Below (5.4%), GCE (A/L)s (42.6%), Graduate (26.5 %), Post Graduate (14.3%), Professionals (11.1%)
<i>Occupation</i>	Government (36.5%), Private (31.6%), Business (5.9%), Self-employed (4.0%), Other (22.0%)
<i>Monthly Income</i>	Below LKR. 25,000 (33.8%), LKR. 25,000 to LKR. 50,000 (42.6%), LKR. 50,000 to LKR. 75,000 (15.5%), LKR. 75,000 to LKR. 100,000 (4.3%), Above LKR. 100,000 (3.8%)

Further, before the researcher finalized the research instrument, researcher conducted the pilot study to reduce the language biasness. In the pilot study, nine questionnaires were issued to final year management students, Faculty of Management Studies and Commerce, University of Jaffna and seven questionnaires were issued to the customers of the supermarket. During the pilot study, some inconvenience words to the respondents were changed by the researcher with the help of the respondents of the pilot study. Furthermore, Pearson Correlation analysis and Multiple Regression analysis were conducted as a data analysis technique and the data analysis for this study conducted through Statistical Package for Social Science (SPSS) version 23.0 was used to analyse the data.

4. ANALYSIS AND RESULT

4.1 Test of Reliability and Validity

Cronbach’s alpha is widely used to examine internal consistency (Cooper & Schindler, 2011; J. Hair, Celsi, Money, Samouel, & Page, 2011), and was used in this study to test the reliability of the items in each construct. The cut-off point of Cronbach’s alpha coefficient of a scale should be above 0.7. The Table I, has revealed, that the internal reliability of each construct has ranged from 0.853 to 0.884. Physical Aspect had the highest alpha coefficient (0.884) while Personal interaction had the lowest alpha coefficient (0.853). Therefore, the Cronbach’s Alpha in this study was much with the range of 0.7 to 0.9, it indicates the good internal consistency among the items within each dimension and each variable. Further, the overall Cronbach alpha value was 0.888 which indicates a very high correlation among the items in the scale.

Table I: Test of Reliability

Variable	Cronbach's Alpha (to be >0.7)
Physical Aspect	0.884
Reliability	0.857
Personal Interaction	0.853
Problem Solving	0.872
Policy	0.870
Customer Loyalty	0.872

The table II, shows the Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity(Kaiser (1974)), recommends that, the acceptable value is greater than 0.5. So the statistical

result proved, the value of Kaiser-Meyer-Olkin (KMO)is above 0.5 and the statistical test for Bartlett’s test of sphericity was significant (P=0.000).

Table II: Test of Validity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.886
Approx. Chi-Square	1253.174
Bartlett's Test of Sphericity	Df
	15
	Sig.
	.000

4.2.Descriptive statistics and Correlation Analysis

Table III, presents the mean, standard deviation and correlations for the study constructs. According to this table, 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. Base on the mean value all the respondents perceived the retail service quality and customer loyalty favorable. Moreover, Skewness and kurtosis values of a data distribution

are widely applied to determine normality of a dataset. In this method, normality of a data distribution is assumed, if statistical values of skewness or kurtosis are within the value ± 2.56 (Hair Jr, Black, Babin, Anderson, & Tatham, 2010; Tabachnick & Fidell, 2007). Therefore Skewness and kurtosis values of each construct are an additional evidence of normal distribution and we can come to the conclusion that the data among all the constructs are normally distributed.

Table III: Descriptive statistics and correlation matrix for study variables.

Construct	M	SD	SKE	KUR	1	2	3	4	5	6	7
1.Physical Aspect	6.29	0.57	-0.90	1.47	1						
2.Reliability	6.10	0.67	-0.85	0.85	.673**	1					
3.Personal Interaction	6.19	0.67	-1.07	1.65	.552**	.734**	1				
4.Problem Solving	5.93	0.97	-1.42	2.16	.427**	.617**	.701**	1			
5.Policy	6.22	0.69	-1.39	2.48	.488**	.605**	.613**	.581**	1		
6. RSQ	6.14	0.59	-0.94	0.92	.727**	.868**	.874**	.845**	.796**	1	
7. Customer Loyalty	5.90	0.80	-0.88	1.14	.434**	.566**	.625**	.615**	.553**	.685**	1

Note: **. Correlation is significant at the 0.01 level (2-tailed).
M= Mean, SD= Std. Deviation, SKE= Skewness and KUR= Kurtosis

According to the Table III, retail service quality is positively associated with customer loyalty, moreover moderate positive association has been found that $r = 0.685$ which is also significant at 0.01 level ($P < 0.05$). Next, it was followed by Personal Interaction with $r = 0.625$, Problem Solving with $r = 0.615$, Reliability with $r = 0.566$ and Policy with $r = 0.553$. All correlations were significant at 0.01 levels and had the moderate positive relationship with customer loyalty. Meanwhile Physical Aspect is positively associated with customer loyalty, in addition weak positive relationship has been established that $r = 0.434$ which is also significant at 0.01 level. Thus, the result has shown that there is a significant positive relationship

between independent variables (retail service quality and its sub dimensions as physical aspect, reliability personal interaction, problem solving and policy), and dependent variable (customer loyalty).

4.3 Test of Multi-Co-linearity

Generally, Tolerance test and Variance Inflation Factor (VIF), are the two major methods used in order to determine the presence of multicollinearity among independent variables (Ahsan, Abdullah, Fie, & Alam, 2009). The maximum acceptable VIF value would be less than 5.0, thus if VIF value higher than 5.0 would indicate a problem with multicollinearity (J. F. Hair, Celsi, Ortinau, & Bush, 2008).

Table: IV: Test of Collinearity

<i>Construct</i>	<i>Collinearity Statistics</i>	
	<i>Tolerance</i>	<i>VIF</i>
Physical Aspect	0.531	1.882
Reliability	0.333	2.999
Personal Interaction	0.346	2.893
Problem Solving	0.460	2.174
Policy	0.536	1.866

Base on the output of the Table IV, VIF values are perfectly below 5. It can be seen clearly that VIF range between 1.866 and 2.999 values which are well-below five. On the other hand, the tolerance values range between 0.333 and 0.536 which are above 0.2, which indicates that there is no evidence of multi co-linearity problem in the regression model.

4.4 Multiple Regression Analysis

The purpose of regression analysis is to find out the significant impact or influence of independent variable on dependent variable (Oly Ndubisi, 2007). In this study, Retail service quality is considered as independent variable or predictor variable, and the Customer loyalty is considered as dependent variable, moreover personal demographical factors considered as a control variable. Table V presents the results of the regression analysis. In this study, the impact of RSQ on customer loyalty were examined in two stages. Hence, two regression analysis models were run. In

all two models, customer loyalty was considered as the dependent variable. The direct effects RSQ and customer loyalty was assessed in first stage (i.e. in Model I). The direct effects of RSQ and the control variable (Gender, age, educational qualification, occupation, and monthly income) were included in the second stage (i.e. Model II).

A significant variance can be suggested through the presence of direct effects on intentions of seeking microcredit. Among the two regression analysis models, the highest VIF value stood at 3.007 was perfectly below 5 (Ahsan, Abdullah, Fie, & Alam, 2009). Thus, the measures selected for assessing independent variable in this study does not reach levels indicate of Multi Co-linearity (Hair et al., 2010). As the results in Table V, Model I show, that RSQ contributes significantly to customer loyalty ($F = 68.194$; $P < 0.05$) and predicts 48.2 percent of the variation has been found, therefore our major hypotheses H1 was accepted.

Table V: Regression Analysis and Hypotheses Testing

<i>Independent Variable</i>	<i>Dependent Variable: Customer Loyalty</i>	
	<i>Model I</i>	<i>Model II</i>
Direct effect of RSQ		
Physical Aspect	0.041 ^{ns}	0.028 ^{ns}
Reliability	0.091 ^{ns}	0.090 ^{ns}
Personal Interaction	0.237 ^{***}	0.254 ^{***}
Problem Solving	0.275 ^{***}	0.265 ^{***}
Policy	0.172 ^{***}	0.061 ^{***}
Control Variables		
Gender		-0.007 ^{ns}
Age		-0.044 ^{ns}
Educational Qualification		0.139 ^{***}
Occupation		0.048 ^{ns}
Monthly Income		-0.016 ^{ns}
R	0.694	0.710
R ²	0.482	0.504
Adjusted R ²	0.475	0.490
R ² Change	0.482	0.022
Durbin-Watson	1.727	1.778
F value	68.194	36.764
Sig. F	0.000	0.000

Notes: *** p < 0.001; ** p < 0.01; * p < 0.05; ns = not significant

Model II was run to test the direct effects of RSQ & control variable and this model was significant and explained 50.4% variance in on customer loyalty. A difference in R² between Model 1 and Model 2 is 0.022 and the F-value is 36.764 significant at 0.00. As per the result of this model II, only educational qualification had significant positive influences on customer loyalty ($\beta = 0.139$, $p < 0.05$). Whereas customer loyalty was not significantly influenced by other control variables as Gender, age, occupation, and family income. However, this finding is demonstrated that, H₂ was partially accepted.

5. CONCLUSION

The main purpose of this research study is to empirically investigate the influence of RSQ on customer loyalty in Jaffna district, Sri Lanka. The results of analysis showed, that retail service quality contributes significantly to customer loyalty with are indicated significant at 0.05 levels (F= 68.194; P < 0.05). This finding indicates that maintaining higher level of retail service quality in supermarkets enhances customer loyalty. In other words, customers’ favourable assessment about the retailer’s service quality provisions encourages the

customers to stay longer with supermarkets. This finding is consistent with the literature (Demirci-Orel & Kara, 2015; Dick & Basu, 1994; Oliver, 1999; Singh, 2012; Thenmozhi, 2014; Ushantha et al., 2014; Wong & Sohal, 2003; Yuen & Chan, 2010). This study also investigates the significant impact of customers’ personal demographical factors (gender, age, educational qualification, occupation, and family income) on customer loyalty to supermarkets. The outcomes of this research can also be used to help the supermarket management to derive a better segmenting, targeting and positioning strategies in the retail service quality paradigm. Therefore, the outcome of this study could facilitate the supermarkets to devise valuable techniques to attract the different groups of customers. One of the limitations of this study was that the respondents were from only selected supermarket and may not represent the entire supermarket customers in Jaffna, Sri Lanka. Therefore, future research should consider the responses from this population as well. This will enable a stronger and a more reasonable stand point on the research issues.

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