

INFLUENCE OF SERVQUAL MODEL ON CUSTOMER LOYALTY WITH SPECIAL REFERENCE TO RETAIL OUTLETS IN BANGALORE

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Abstract

Companies have begun to focus on developing strategies for maintaining better relationships and to retain the existing customers as well as to attract new customers to widen their customer base. This requires companies to focus on fulfilling the changing requirements of the customers and making changes to the existing products and services if needed. This ensures that the company is customer-oriented rather than being just profit-oriented. Thus, this research aims at determining the influence of SERVQUAL towards customer loyalty especially with respect to retail outlets in Bengaluru city and providing suggestions to the service providers towards the implementation of the proven dimensions of the study and measures to provide improved and efficient service to their customers. The successful implementation would impact the satisfaction levels of the customers and therefore would minimize the gap between the expectation and service delivery by the retail outlets. Therefore, this research study throws light on factors such as customer satisfaction and service quality and its impact on customer loyalty especially with respect to retailing sectors, thus enabling the retailers to design and develop strategies that would help them in satisfying their customers and converting them to become the loyal customers of their brand of product or service.

1. INTRODUCTION

India is one of the fastest growing economies with respect to the retail sector resulting in the increase of demand for the retail space by 7.8 million squares.ft in 2019. The expansion of the retail business from physical platform to online platform has indeed increased the demand for various products and services thus making Service Quality as one of the important considerations. The developments and advancements in the retail framework of India has resulted in the increased competition and thus making the retail players to design strategies for their survival and growth making Service Quality as an important dimension.

Companies have begun to focus on developing strategies for maintaining better relationships and to retain the existing customers as well as to attract new customers to widen their customer base. The competitive business environment is forcing the companies to move from traditional business forums to that of contemporary approaches to maintain long term relationships with the customers. These include strategies such as CRM, Relationship marketing which is creating a huge impact on the perception of the customers influencing their satisfaction and their loyalty towards the business organizations.

The pre-requisites of a company's success are strongly dependent on the two factors including Customer satisfaction and Service quality. These two factors have significant impact on the patronage motives of a customer thus impacting their loyalty and repurchase intentions (Bourne, P. A.,2016¹⁰).The various strategies of companies towards maintaining and developing a long lasting relationship with customers including relationship marketinghas a significant impact on the establishing a strong association with particular service provider and even impacting their experience and perception towards continuing their relation(Al Mubarak, Z., ben Hamed, A., & al Mubarak, M.,2019¹¹).

Therefore, it is found that the growing retail sector of India should focus on developing structured scale to provide better and efficient service to its customer as it has got a significant impact on the satisfaction levels and in-turn influencing customer's intention tocontinue their business with the same service provider which is termed as Customer Loyalty.

2. REVIEW OF LITERATURE

The SERVQUAL dimensions have significant impact on customer satisfaction and the proper implementation and execution of these scales would result in high growth potential and opportunities in the current competitive environment (Naik et al. 2012). Sabrina Tazreen (2012) emphasized that quality measurement scales should be industry-specific, and any changes required needs to be incorporated into the scale. It is also suggested that more contemporary models need to be used other than SERVQUAL scale as the business environment is becoming more challenging and needs to consider additional dimensions for efficient servicing of customers which in turn results in modification of the existing SERVQUAL scale. Kanchan and Aditi Sharma (2017) showed that customers have very high levels of expectations with respect to quality of service in hotels considering the cleanliness and hygiene maintained by the service providers as one of the most important factors. Tangibility and empathy dimensions are the two major factors impacting customer perceptions but are under performed by hotels and needs to be concentrated by managers (Kumar et al.2017). Employees Behavior is one of the major determinants of customer satisfaction in Hospitality platforms (Alison et al. 1999). The old, aged customers had preference for empathetic and reliable service whereas youngsters had importance for highly responsive and assured services by the service provider (Blesic et al. 2011). The effectiveimplementation of the dimensions will improve customer's perception towards the service provider and in turn will impact their repurchase intentions (Asubonteng et al. 1996). Aakash Ashok Kamble, Praful Sarangdhar (2015), their research highlighted that customers' expectation towards the inputs given by faculties and the delivery processes were notsatisfied and had significant impact on the student's interest levels. The introduction of the concept of relationship marketing, the banks are coming out with various strategies to retain the existing customers and to attract new customers to their services (Sampana et al. 2014). Jagbir Singh Dalal (2015), the research study revealed that tangibility played the most important role in forming the perception in the minds of customer followed by assurance, empathy, reliability, and then responsiveness.

3. RESEARCH METHODOLOGY

The retail sector has led to the growth of Indian economy contributing about 10 percent of the country's GDP and thus occupying fifth position with respect to retailing in the global framework. The service quality dimensions have paved way for numerous retail outlets to differentiate themselves in terms of their service towards their customers. The Bengaluru city being home for people across globe and reflecting cross and multi- linguistic population who are ready to try and accept with innovations and new technologies and processes were chosen as respondents of the study as the research statistics proves a good number of customers in this metropolitan city moving towards organized retailing. This has triggered the interest towards determining the influence of Service quality dimensions on customer Loyalty especially with respect to retail outlets in Bangalore city.

The research includes considering both unorganized and organized retail formats for convenience purpose. By using Morgan's table for sample size calculation, around 387 samples were contacted to collect data. However, by eliminating wrong entries, invalid responses, around 310 sample responses were considered for the study.

3.1 Research Questions

The objective of the research study is to determine the effectiveness of the SERVQUAL model on Customer loyalty in the retail outlets. With this objective in mind, some of the important research questions developed is:

- 1) What is the demographic profile of the customers visiting retail outlets in Bengaluru city?
- 2) How do consumers perceive the service quality when they visit retail outlets?
- 3) What are the SERVQUAL dimensions considered as important by Bengaluru population visiting retail outlets?
- 4) Are customers satisfied by the service quality provided by retail outlets in Bengaluru city?
- 5) Which are the SERVQUAL dimensions impacting customer satisfaction and customer loyalty in retail outlets in Bengaluru city?

3.2 Objectives of the Study

- 1) To identify the factors of SERVQUAL model impacting customer satisfaction and Loyalty in organized and unorganized FMCG retail outlets in Bengaluru.
- 2) To develop the theoretical model on factors of SERVQUAL dimensions impacting customer satisfaction and customer loyalty in organized and unorganized FMCG retail outlets in Bengaluru.
- 3) To analyze the factors of SERVQUAL model impacting customer satisfaction and Loyalty in organized and unorganized FMCG retail outlets in Bengaluru.

3.3 Sample Design

As the research study consists of both unorganized and organized retail formats of Bengaluru city with respect to purchase of FMCG, the number of frequent retail customers are close to the total population of Bengaluru city. For a more scientific approach, the reports from source Statista.com provides us data on regular retail customers of FMCG in Bengaluru as 10.3 million customers. Upon the data available, Morgan table for sample size calculation is used to determine the total respondents to be considered for the study. As a result, around 384 samples were contacted to collect data. However, by eliminating wrong entries, invalid responses, around 310 sample responses were considered for the study. As being the resident of Bengaluru from past 30 years, considering the vibrant changes in the retail environment and the purchase patterns, this place was considered to conduct the research study. Bengaluru being the top metropolitan city would help in exploring the various contexts of research study and even help the researcher in determining other new dimension for the present study. Stratified sampling method considering dis-proportionate samples through systematic random sampling are chosen from different retail formats including Hyper markets, Supermarkets and Local Kirana outlets in and around Bengaluru city. Around 384 questionnaires were administered to collect the data, whereas after removing unanswered and invalid responses, a sample of 310 responses were considered for the research study.

3.4 Formulation of Hypothesis

I. To test the Significant difference in perception of service quality between selected demographic variables of respondents following hypotheses has been framed.

Ha1: There is a significant difference in perception of service quality between male and female respondents

H01: There is no significant difference in perception of service quality between male and female respondents

Ha2: There is a significant difference in perception of service quality between age group of respondents

H02: There is no significant difference in perception of service quality between age group of respondents

II. To test the research framework following hypotheses has been developed

Ha1: There is a significant influence of service quality on customer satisfaction

H01: There is no significant influence of service quality on customer satisfaction

Ha2: There is a significant influence of service quality on customer loyalty

H02: There is no significant influence of service quality on customer loyalty

Ha3: There is a significant influence of customer satisfaction on customer loyalty

H03: There is no significant influence of customer satisfaction on customer loyalty

4. ANALYSIS AND INTERPRETATION

The differences in the service quality of retail outlets have been examined among demographic variables of the respondents. This analysis on the differences in the service quality of the retail outlets among the heterogeneity of customers may help retail outlets to bring out appropriate marketing strategies to improve the service quality of retail outlets. In addition to the assessment of service quality, the major factors influencing the service quality of the retail outlets are to be identified to formulate the marketing strategies of the retail outlets.

Table 1: Significant difference in perception of service quality between male and female respondents

| Gender | N | Mean | Std. deviation | T value | Sig. |
|--------|-----|------|----------------|---------|-------|
| Male | 169 | 4.07 | 0.48 | 3.02 | 0.003 |
| Female | 141 | 3.92 | 0.45 | | |

Source: Primary data

The above table shows T test result to analyze the significant difference in perception of service quality between Male and female of respondents. The mean scores of Male and Female was 4.07 and 3.92 respectively. It was found that the p value is less than 0.05 and the study accepted the alternative hypothesis. It can be concluded that there is a significant difference between the perception of service quality and Gender of the respondents in Bengaluru. This finding is in line with the finding of Ying Kwok et al (2016).

Table 2: Significant difference in perception of service quality between Age group of respondents

| Age group | N | Mean | Std. deviation | F value | Sig. |
|--------------------|-----|------|----------------|---------|-------|
| Less than 20 years | 8 | 3.77 | 0.496 | 1.97 | 0.118 |
| 21 to 30 years | 206 | 4.05 | 0.468 | | |
| 31 to 40 years | 62 | 3.94 | 0.485 | | |
| Above 40 years | 34 | 3.91 | 0.495 | | |

Source: Primary data

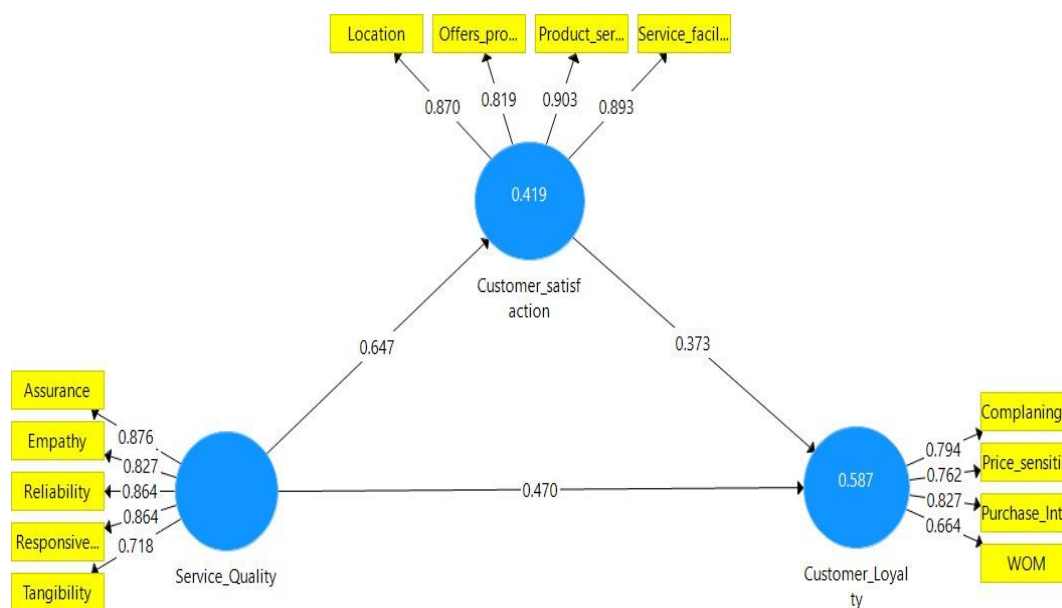
Age is an important factor affecting consumer buying behaviour. The above table shows the ANOVA test result to analyze the significant difference between perceptions of service quality between Age group of respondents. It was found that F value is 1.97 and significant value is more than 0.05. The study accepted the null hypothesis. It is concluded that there is no significant difference between perception of service quality and age group of respondents. This finding is in line with the finding of christia (2016).

5. STRUCTURAL EQUATION MODEL USING SMART-PL

Structural Equation Modelling is applied in this study to test the theoretical constructs which are composite. The major approaches used for SEM is through covariance-based method and Partial Least Square method. PLS is based on structural Equation Model is applied to a greater

level in the recent periods after the development of software named SMART-PLS by Ringle et al.(2005). The major advantage of this software is that, results can be obtained using a smaller sample size (Benaroch, Lichtenstein, & Robinson, 2006) which is difficult in co-variance based structural equation model software. Using SMART- PLS, reliability and validity of the instruments has to be checked along with the model testing.

Figure 1: Evaluation of Measurement Model



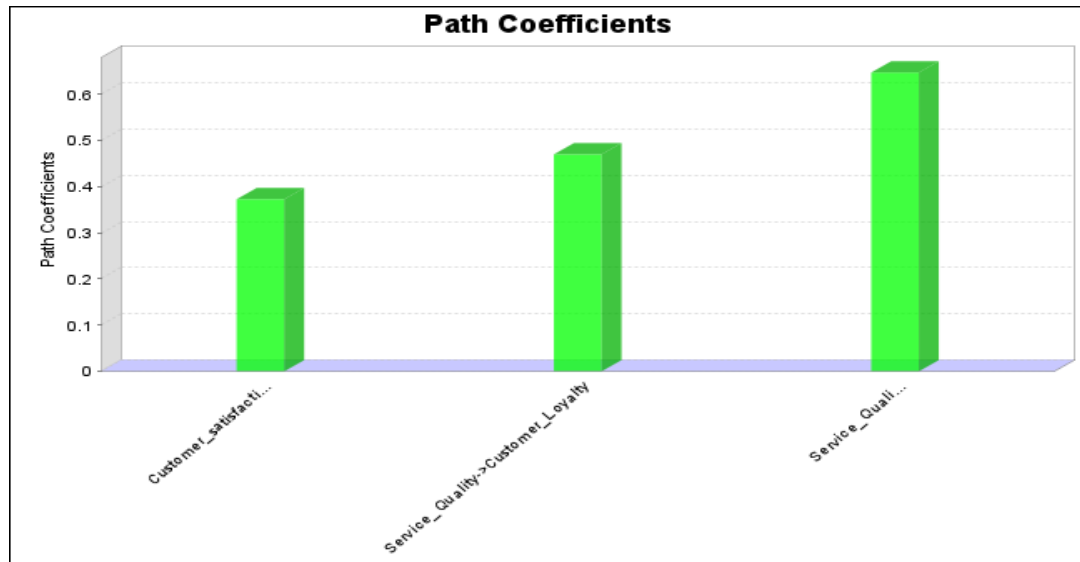
5.1 Path Coefficients

Table 3: Path Coefficient

| | Customer Loyalty | Customer satisfaction | Service quality |
|-----------------------|------------------|-----------------------|-----------------|
| Customer Loyalty | | | |
| Customer satisfaction | 0.373 | | |
| Service quality | 0.470 | 0.647 | |

Path coefficients are standardized path coefficients. Path weights ranges from +1 to -1. Weights close to 1 indicates the strongest paths. Weight close to 0 signifies the weak paths. Above the path weight of customer satisfaction and customer loyalty (0.373) shows customer have a positive effect on customer loyalty. The path weights of 0.473 implies Service quality have positive impact on Customer Loyalty. Service quality at 0.647, has a positive influence on Customer satisfaction. Since the standardized data are involved, it can be implied that depending on the above path coefficients that the complete degree of the Service quality on customer satisfaction is approximately twice that of customer loyalty.

Figure 2: Path Coefficient



5.2 Outer Loading

Table 4: Outer Loading

| | Customer Loyalty | Customer satisfaction | Service Quality |
|----------------------|------------------|-----------------------|-----------------|
| Assurance | | | 0.876 |
| Complaning_Behaviour | 0.794 | | |
| Empathy | | | 0.827 |
| Location | | 0.870 | |
| Offers promotions | | 0.819 | |
| Price sensitivity | 0.762 | | |
| Product services | | 0.903 | |
| Purchase Intentions | 0.827 | | |
| Reliability | | | 0.864 |
| Responsiveness | | | 0.864 |
| Service facility | | 0.893 | |
| Tangibility | | | 0.718 |
| WOM | 0.664 | | |

Outer loadings are considered to be measured in a form of item reliability coefficient for reflective models. The closer the loadings are to 1, the more is the reliability of the latent variable. Additionally, for a well-fitting reflective model, path loadings must be more than

0.70 (Henseler, Ringle, Sarstedt, 2012:269). Also, the thumb rule is that the factor loading below 0.4 should be eliminated if elimination improves composite reliability (Hair et al., 2014:103). Since all the items have shown outer loadings above 0.7 or close to 0.7 the study accepted all the items considered in the study.

5.3 Structural Model Confirmation of Paththrough Bootstrapping

Table 5: Structural Model Confirmation of Path through Boot strapping

| | Original Sample(O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics | P Values |
|---|--------------------|-----------------|----------------------------|--------------|----------|
| Customer satisfaction -> Customer Loyalty | 0.373 | 0.372 | 0.060 | 6.234 | 0.000 |
| Service Quality -> Customer Loyalty | 0.470 | 0.472 | 0.053 | 8.919 | 0.000 |
| Service Quality -> Customer satisfaction | 0.647 | 0.647 | 0.051 | 12.787 | 0.000 |

The above table shows the t-value which is signified for the structural (inner) model. Through bootstrapping with 5000 samples, where sub-samples were resulting from the actual sample, which provides the respective t-test results for accepting or rejecting the structural path. The significance was stated at 5% level, where the calculated t-value, should be above critical t-values of 1.96. It is observed that, the path between to customer satisfaction to customer loyalty (6.234), service quality to customer loyalty (8.919) and service quality to customer satisfaction (12.787) are significant at 5% level.

6. CONCLUDING REMARKS

A deductive approach is followed for testing the proposed research model. This hypothetical model examines the relationship between service quality and customer loyalty, service quality and customer satisfaction, and customer loyalty and customer satisfaction. The relationship between service quality and customer loyalty through the mediating effect of customer satisfaction. The research study has come out with various important findings that would help retailers across Bengaluru city to design and develop strategies to attract and retain customers to their outlets. Bengaluru is the biggest metropolitan city with a varied population from different cultures has always offered numerous opportunities for people across the globe. The retail outlets across Bengaluru have got varied dimensions to expand their wings and to prove their competitiveness in this ever-growing world. From the research study, various important findings were made, which when implemented by the retail outlets would help them in expanding their customer base. The demographical analysis of the respondents has shown that the majority of the customers visiting the retail outlet were male. Therefore, it is suggested that the retail owners should come up with strategies to attract the female population as they are the decision- makers with respect to purchases made.

The competitive business environment is forcing companies to move from traditional business forums to contemporary approaches to maintain long-term relationships with customers. These include strategies such as CRM, Relationship marketing which are creating a huge impact on the perception of the customers influencing their satisfaction and their loyalty towards the business organizations. Therefore, it is found that the growing retail sector of India should focus on developing a structured scale to provide better and efficient service to its customer as

it has got a significant impact on the satisfaction levels and in-turn influencing customer's intention to continue their business with the same service provider which is termed as Customer Loyalty. Therefore, this research study throws light on factors such as customer satisfaction and service quality and its impact on customer loyalty especially with respect to retailing sectors, thus enabling the retailers to design and develop strategies that would help them in satisfying their customers and converting them to become the loyal customers of their brand of product or service.

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