EXAMINING THE EFFECT OF RETAIL SERVICE QUALITY DIMENSIONS ON CUSTOMER SATISFACTION AND LOYALTY

(A Case Study of Toko Progo Yogyakarta)

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Abstract

The market range of retailers extends rapidly and continuously, and the level of competition is also higher and advanced. The recent market place has become more competitive as customers continually expect retailers to exceed their increasing expectations. To face such a changeable and aggressive environment, one of the effective strategies is to do improvements. Based on those facts, Toko Progo needs a research as a review of its service quality. This study intends to explore the findings of customer satisfaction towards loyalty. The main research questions are: (1) Physical aspects (service quality dimension) affect customer satisfaction. (2) Reliability (service quality dimension) affect customer satisfaction. (3) Personal interaction (service quality dimension) affect customer satisfaction. (4) Problem solving (service quality dimension) affect customer satisfaction. (5) Policy (service quality dimension) affect customer satisfaction. (6) To find out whether the differences of consumers' gender, age, and occupation affect consumers' perception about store design and service quality affects store loyalty.

This thesis is based on using quantitative analysis by questionnaires. Based on the results of hypothesis testing using multiple linear regression and simple linear regression, showed Physical Aspects, Reliability, Personal Interaction, Problem Solving, Policy affect positively toward Customer Satisfaction and Customer Satisfaction affect positively towards Store Loyalty.

Key words: customer satisfaction, store loyalty

1. INTRODUCTION

In recent years, the market scope of retailers extends quickly and continuously, and the level of competition is also higher and higher. The current market place has become more competitive as customers continually expect retailers to exceed their increasing expectations (Wong and Sohal, 2003). To face such a changeable and competitive environment, one of the effective strategies is to do improvements. Service quality has been commonly used by the retailers as one of the important strategy. The sector is observing a radical change as traditional retail markets are replacing with new formats such as discounts stores, departmental stores, supermarkets etc. In this competitive environment the retailers are more required to focus on customer perception. The relation between service quality and customer perception is now firmly established, and it has been shown that this link then produces higher revenues, repeat purchasing behavior, and expanded market share.

Nowadays, the society life pattern has changed, especially in the cities. One of the life pattern that change is the shopping activity. In the past, the traditional market is the first choice if they want to go shopping, but the development in the market place and types bring the more options for the consumers' such as supermarkets, hypermarkets, and also department stores as another place to go shopping. Supermarkets are large, low cost, low margin, high volume, self-service stores that cater to serve the consumer's total needs for food and household products (Miller and Layton, 2000). In self-selection outlets, customers find their own goods, although they can ask for assistance (Kotler and Keller, 2009).

The growth of supermarkets in Indonesia makes the business competition getting tighter. The tight business competition has become a motivation for the supermarket's owner to build its own uniqueness of the store design in terms of positioning the store image in the consumers'

mind. The purpose of the supermarket's owner in running this activity is to positioning in the consumers' mind that supermarket is the first choice in shopping. Retailers need to design the store's atmosphere to draw and influence people's enjoyment of shopping, browsing and examining retailer's offering, and their tendency to spend more money than originally planned.

No matter how serious the competition on business becomes, consumer loyalty ensures steady and long-lasting revenue growth for any kind of business. This study stresses on analyzing the store design of supermarkets, service quality, the relationship between store design and service quality towards store loyalty. In this research, Toko Progo Yogyakarta is included as supermarket category.

1.1. Objective and Benefits of the study

1.1.1. Objectives of the study

1. To find out whether the differences of consumers' gender, age, and occupation affect consumers' perception about store design and service quality affects store loyalty.

2. To find out if there is any effect of store design and service quality to store loyalty.

1.1.2. Benefits of the study

a. For retailers

The result of the study can be used as a consideration in reviewing the customer satisfaction and store loyalty.

b. For author

This study could add experience and expand knowledge of the author, and as the fulfillment of one of the requirements to gain an undergraduate degree.

c. For other parties

This study could be source of information and inputs for further researches.

2. **SERVICE QUALITY**

It is important for the company to have good service quality. If the service exceeds customer expectations, it can lead to customer satisfaction; in the long run can lead to customer loyalty. Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall conensus emerging on either (Victor P. Lau, 2007). What makes it more complex is that different customers find different features significant in the same service. Retail customers tend to appreciate if the service is rendered in an esthetical store, by employees having a well-mannered appearance, proper skills and capable of providing enough information on the products. In the same way, the customer will value if there is a chance to try the products or use other complementary services (e.g. home delivery). Service quality is one of the ways for the company to create a competitive advantage against competitors. Specifically, within the supermarket sector, Vazquez et al (2001) and Huang (2009) found:

a. Physical aspects

The concept of physical aspects is defined as the retail store appearance and store layout. The store environment, facilities and even imagery thereof have become factors which

retailers can use to gain the competitive edge and influence customer satisfaction. Physical environment plays a particularly important role in the service encounter of the grocery sector and exemplary retailers insist on store cleanliness, as well as a layout that enables customer orientation and product identification.

b. Reliability

The construct of reliability measures the store's ability to deliver the service that has been promised to customers accurately, and without error. This implies that the store must practice a philosophy of getting it right first time, all the time. It must be able to keep its promises, meet deadlines and provide timely and accurate information to customers. Accurate information includes clear product pricing, as well as correct and precise information regarding the product. Furthermore, reliability also refers to the store being able to have merchandise available when required.

c. Personal interaction

Sales assistants play a pivotal role in a customer service situation, with the most important attributes being store clerk attitude and treatment of customers. The importance of sales staffs' knowledge regarding new products, prices, and other variations of store offerings, as well as commenting on the importance of treating the customer with respect.

d. Problem solving

Problem solving refers to the store's capability of handling returns and exchanges, as well as processing customers' problems and complaints. It includes the store's ability to express a sincere and genuine interest in solving the customer's problem and extends to the ability of staff to handle complaints directly and immediately. Unless dealt with

effectively, service failures have been shown to arouse dissatisfaction and anger, leading to disastrous consequences for the store.

e. Policy

Store policy refers to a store's decisions concerning the depth and breadth of their merchandise, their loyalty programs and credit facilities, operating hours, parking facilities and additional customer services offered. Here, it has been found that stores endowed with good facilities are more likely to secure a favourable consumer perception. Customers expect retailers to be supportive and thus any service mechanism that suggests empathy and understanding is likely to impact favourably on perceived service quality and satisfaction.

3. CONCEPTUAL MODEL
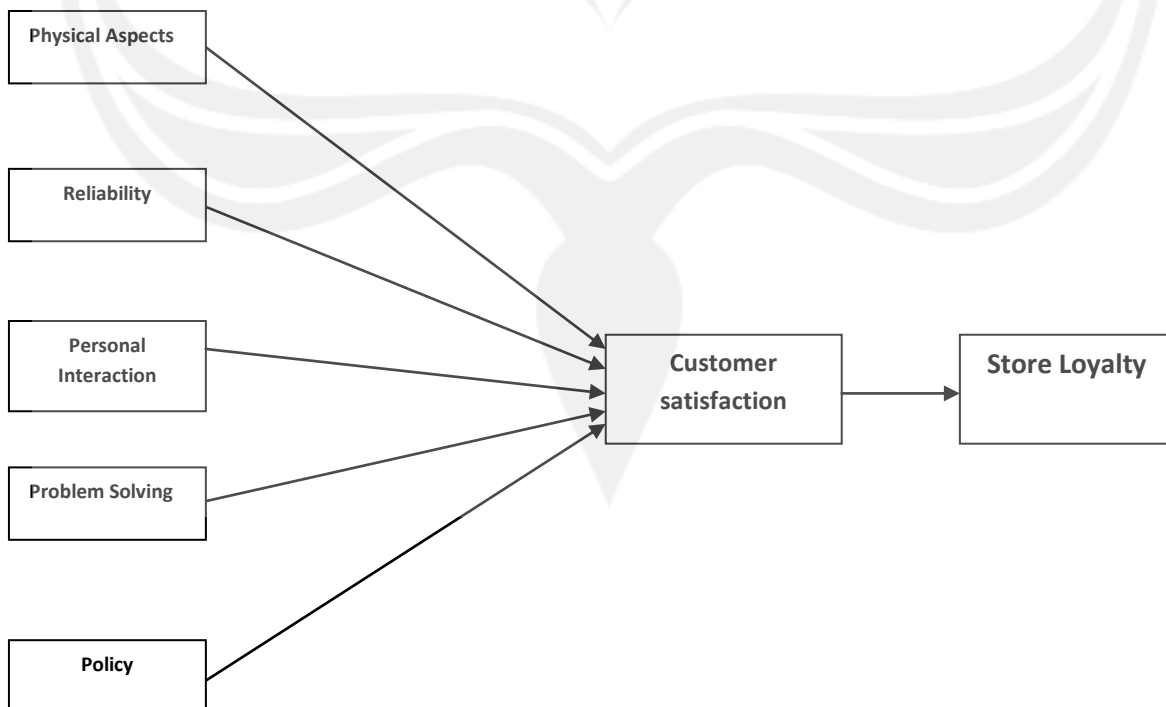
Adapted from: Examining the effect of retail service quality dimensions on customer satisfaction and loyalty: The case of the supermarket shopper.

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4. SOURCES OF DATA

4.1.   Population and Sampling Method

Sampling method that will be used is purposive sampling, a non-probability sampling design in which the required information is gathered from special or specific targets or groups of people on some rational basis (Sekaran, 2000).

Population that will be researched is consumers that have ever shopped in Toko Progo Yogyakarta for minimum five times and live around Yogyakarta area. Sample will require 100 people that have ever shopped in Toko Progo Yogyakarta.

4.2.   Data Measurement Method

The measurement will be done by distributing questionnaires. The questionnaire will use Likert scale to indicate how strongly a respondent agree or disagree with the statement with a following anchors (Sekaran, 2000):

Variable	Statement	
	Positive	Negative
Strongly agree	5	1
Agree	4	2
Neither agree nor disagree	3	3
Disagree	2	4
Strongly disagree	1	5

4.3.   Validity and Reliability Test

4.3.1.   Validity Test

Validity test used to measure whether or not a legitimate or valid questionnaires. A questionnaire considered valid if the questions in the questionnaire were able to reveal something that will be measured by the questionnaire (Ghozali, 2006). Items considered valid if it has a value of corrected total > 0,30.

4.3.2. Reliability Test

Reliability is a tool to measure a questionnaire which is an indicator of variables or constructs. A questionnaire said to be reliable or reliable if someone answers the statement is consistent or stable over time (Ghozali, 2006). Variables considered being reliable if it has a value of cronbach's alpha > 0,60.

4.3.3. Multiple Regression

This analysis is used to test whether there is a correlation between independent variables of service quality dimensions (Physical Aspects, Reliability, Personal Interaction, Problem Solving, Policy and Customer Satisfaction) with the dependent variable, which is store loyalty. The formula is (Mendenhall, Reinmuth, Beaver, 1989):

$$y = \beta 1 X1 + \beta 2 X2 + \cdots + \beta 6 X6$$

Where,

y = dependent variable (store loyalty)
$\beta 1$ = coefficient of the independent variables physical aspects
$\beta 2$ = coefficient of the independent variables reliability
$\beta 3$ = coefficient of the independent variables personal interaction
$\beta 4$ = coefficient of the independent variables problem solving
$\beta 5$ = coefficient of the independent variables policy
$\beta 6$ = coefficient of the independent variables customer satisfaction
$X1$ = independent variables physical aspects
$X2$ = independent variables reliability
$X3$ = independent variables personal interaction

$x4$ = independent variables problem solving
$x5$ = independent variables policy
$x6$ = independent variables customer satisfaction

Significance level of the effect of the independent variable to dependent variable is indicated from the sign of the coefficient value. The coefficient has minimum value -1 and the maximum value 1 ($-1 \leq \beta \leq 1$), which means if β has a positive value, then the independent and dependent variables have a strong effect. If β has a negative value, then the independent and dependent variables have a weak effect.

5. CONCLUSION

This study was conducted to examine the effect of Physical Aspects, Reliability, Personal Interaction, Problem Solving, and Policy on Customer Satisfaction and Customer Satisfaction influence on Store Loyalty.

Based on the results of hypothesis testing using multiple linear regression and simple linear regression, showed Physical Aspects, Reliability, Personal Interaction, Problem Solving, Policy affect positivelytoward Customer Satisfaction and Customer Satisfaction affect positivelytowards Store Loyalty. The first conclusion that can be drawn from these findings are consistent with the hypothesis formulated is Physical Aspects affect positivelytowards Customer Satisfaction. The test results indicate that the Physical Aspects affect positivelytowards Customer Satisfaction. Physical Aspects increasing then it can improve Customer Satisfaction, and vice versa decreases Physical Aspects then it can decrease Customer Satisfaction. *Perceptions of store appearance provide tangible clues about service quality (Yan et al, 2011; Dholakia &Zhao, 2010; Bitner, 1990) and it has been noted that the appearance of the store is widely acknowledged as an essential determinant of the shopping experience (Dabholkar et al, 1996).*

The second conclusion that can be drawn from these findings are consistent with the hypothesis formulated is Reliability affect positivelytowards Customer Satisfaction. Reliability Test results showed that affect positivelytowards Customer Satisfaction. Reliability is increasing then it can improve Customer Satisfaction, and vice versa decreases, it can lower the Reliability Customer Satisfaction. *According to Zinn and Liu (2001), a stock outage can result in the consumer leaving the store and forgoing the purchase to search for the item elsewhere. Furthermore, in the long run, continuous stock outages could have a negative impact on future patronage, and result in detrimental perceptions and negative word of mouth (Grant & Fernie, 2008).*

The third conclusion that can be drawn from these findings are consistent with the hypothesis formulated is Personal Interaction affect positivelytowards Customer Satisfaction. The test results showed that Personal Interaction affect positivelytowards Customer Satisfaction. Personal Interaction increasing then it can improve Customer Satisfaction, and vice versa. *Darian et al. (2001) noted the importance of sales staffs' knowledge regarding new products, prices, and other variations of store offerings, as well as commenting on the importance of treating the customer with respect.*

The fourth conclusion that can be drawn from these findings are consistent with the hypothesis formulated is Problem Solving affect positivelytowards Customer Satisfaction. The test results showed that Problem Solving affect positivelytowards Customer Satisfaction. Increasingly Problem Solving it can improve Customer Satisfaction, and vice versa decreases Problem Solving it can degrade Customer Satisfaction. *Michel (2001), Halstead and Page (1992) and Singh and Widing (1981) found that dissatisfied customers were more likely to repurchase when their complaints*

were dealt with satisfactorily.Moreover, it has also been found that the post-transaction service offered by the store builds credibility and influences the favourable perception of consumers in the long term (Lindquist, 1974).

The fifth conclusion that can be drawn from these findings are consistent with the hypothesis formulated is Policy affect positivelytowards Customer Satisfaction. The test results showed that Policy affect positivelytowards Customer Satisfaction. Increasingly Policy then it can improve Customer Satisfaction, and vice versa decreases Policy, it can degrade Customer Satisfaction. *Failing to meet the expectations of the consumer in any of the aforementioned areas could result in the consumer experiencing lower levels of satisfaction. It has been indicated that continuous complaints of inconsistent produce quality could result in negative perceptions regarding the store (Bruhn and Grebitus, 2007) and hence lead to reduced levels of satisfaction.*

The sixth conclusion that can be drawn from these findings are consistent with the hypothesis formulated is a positive influence on the Customer Satisfaction Loyalty Store. The test results showed that Customer Satisfaction affect positivelytowards Store Loyalty. Increasing Customer Satisfaction can improve Store Loyalty, and vice versa. *Researchers suggest that store loyalty is a key variable in explaining customer retention (Pritchard and Howard, 1997) and is determined by a combination of repeat purchase level and a general level of attachment (Bodet, 2008 & Dick and Basu, 1994).*

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