



## IMPACT OF RETAIL SERVICE QUALITY FACTORS ON CUSTOMER LOYALTY ON RETAIL OUTLETS - IN KANYAKUMARI DISTRICT - A CRITICAL ANALYSIS



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### ABSTRACT:

Organised retailing refers to trading activities undertaken by licensed retailers, those who are registered for sales tax, incometax etc., Organized retailing comprises the shopping malls, multi storied malls and huge complexes that offer a large variety of products in terms of quality and value for money and gives shopping experience. Unorganized retailing is an outlet run locally by the owner or caretaker of a shop that lacks technical and accounting standardization. The main objective of the study is to study and understand the significant retail service quality factors (RSQFs) and their impact on respondents loyalty on organized and unorganized retail outlets. The RSQFs directly and indirectly influencing customer loyalty on unorganized retail outlets are policy and problems whereas the problems and personal interaction have a significant impact on customer loyalty on organized outlets.

**KEYWORDS:** Retail outlets; unorganized outlets; Organised outlets; Retail Service Quality factors (RSQFs); Customer loyalty.

### INTRODUCTION:

In India the retailing is concentrated primarily in urban markets for two reason. First, the modern retailers are yet to realize the saturation effect in the urban market and second, since the modern retailing is associated with Lifestyle the attractiveness of the store appeals to the affluent class as well as those who aspire to be a part of the class and are mostly found in urban India. Although retailing in India accounts for over 10 per cent of the Country's GDP and amounts to 8 percent of employment, it is still in the cross road (Singh, 2009). With several player's entering the market, retailing in India has emerged as one of the most dynamic and past paced industries. (Lather and Kaur, 2006).

### ORGANIZED RETAIL IN INDIA

Organized Retailing refers to trading activities undertaken by licensed retailers, those who are registered for sales tax, income tax etc. It includes the retail chains, corporate backed hypermarkets and privately owned large retail businesses. Organized retailing comprises the shopping malls, multi-storied malls and huge complexes that offer a large variety of products in terms of quality and value for money and gives a shopping experience. Organized retail formatesin India includesMalls, Specialty stores, Discount stores, Department stores, Supermarket, Convenience stores, and MBOs (Multi Brand Outlets).

**UNORGANIZED RETAILING IN INDIA**

Unorganized retailing is defined as an outlet run locally by the owner or caretaker of a shop that lacks technical and accounting standardization. The supply chain and sourcing are also done locally to meet the local needs. Unorganized retailing has been one of the easiest ways to generate self-employment, as it requires limited investment in land, capital and labour. It is generally family run business with lack of standardization and the retailers who are running this store are lacking education, experience and exposure.

**STATEMENT OF THE PROBLEM**

The retail service environment is becoming increasingly competitive and is characterized by the presence of domestic as well as foreign players, frequent mergers and acquisitions and sophisticated and demanding customers who have higher levels of expectations from service providers. Therefore, service providers need to differentiate their service offerings by meeting the needs of their customers better, improving customer satisfaction and by delivering service quality that is higher than the one that is provided by the competition.

**OBJECTIVES OF THE STUDY**

The main objective of the study is to study and understand the significant Retail Service Quality Factors (RSQFs) and their impact on respondents loyalty on organized and unorganized retail outlets.

**METHODOLOGY**

This study is purely based on primary data. Primary data were collected through a well structured schedule. The population of the present study is the total population in rural and urban area at kanyakumari district. The include areas in rural are 9 blocks whereas the area in urban are 4 Municipalities. The population on the above said areas were drawn from census data in credit plan of banks at kanyakumari district during 2016-2017. The included nine blocks in rural area are Agartheswaram, Rajakhamangalam, Thovalai, Kurunthencode, Thuchalay, Thiruvatar, Kalliyoor, Munchirai and Melpuram whereas the included municipalities are Nagercoil, Padmanabapuram, Colachel and Kuzhithurai. The sample size of the present study is determined with the help of given formula.

$$n = \frac{N}{Ne^2 + 1}$$

whereas n-sample size. N-population, and e-error of acceptance.

The error of acceptance in the present study is taken at 5 per cent level. The determination of sample size in urban and rural areas in kanniyakumari district are given in Table.1.1

**TABLE.1.1  
Population and Sample Size of the study**

Sl.No	Area	Number of Municipalities Blocks	Population (in lakhs)	$n = \frac{N}{Ne^2 + 1}$	Total sample
1	Urban	4	2.73	$\frac{273000}{273000(0.05)^2 + 1} = 399.41$	399
2	Rural	9	14.03	$\frac{1403000}{1403000(0.05)^2 + 1} = 399088$	400
	Total		16.76		799

The determined sample size for urban and rural area are 399 and 400 respectively. The samples determined (blocks/municipalities) for urban and rural area distributed to all segments in it on the basis of the portion of the total population in each segment to its total population. The allotted sample to each segment are selected at random namely lottery basis. Hence, the applied sampling procedure of the study is stratified proportionate random sampling.

**TOOLS AND ANALYSIS**

The Structural Equation Modeling (SEM) is used to examine the direct and indirect effect of independent variables on dependent variable. In the present study, the SEM was used to find out the direct and indirect impact of retail service quality on customer loyalty.

**LIMITATIONS**

The present study is subjected with the following limitations. The scope of study is limited to the Kanyakumari District.

**Direct and indirect effect of Retail Service Quality factors(RSQFs) on customer loyalty on unorganized outlets**

The present study has made an attempt to examine the direct, indirect impact of RSQFs on customer loyalty unorganized outlets only with the help of Structural Equation Modeling (SEM). The SEM was used to identify the direct and indirect impact of RSQFs on customer loyalty since some RSQFs may have a significant indirect impact on customer loyalty. Before conducting the structuralequation modeling (SEM), the data validity and validity of paths have been tested with the help of fit indices (Bogozzi and Yi, 1988). All the Absolute Fit Measures, Incremental fit measures and Parsimony fit measures are computed and compared with its bench marking also.

The fit indices of structural equation modeling for customers at Unorganized Outlets have been computed and shown in table 1.2.

**TABLE 1.2**  
**Fit indices of Structural Equation Model at Unorganized Outlets**

Sl. No	RSOFs	Standard minimum	Actual
I	Absolute Fit Measure		
1	Chi-square	0.05	0.0434
2	Goodness of Fit Index (GFI)	0.6	0.9341
3	Error of Approximation (RMSEA)	0.08	0.0196
II	Incremental Fit Measures		
1	Adjusted Goodness of Fit Index (AGFI)	0.9	0.9317
2	Normal Fit Index (NFI)	0.9	0.9413
3	Comparative Fit Index (CFI)	0.9	0.9541
4	Increment Fit Index (IFI)	0.9	0.9566
5	Relative Fit Index (RFI)	0.9	0.9814
III	Parsimony Fit Measures		
1	Parsimony Goodness of Fit Index (PGFI)	0.5	0.5529
2	Parsimony Normal fit Index (PNFI)	0.5	0.6997

\*Significant at five per cent level

The above table indicates that all absolute fit measures namely chi-square, goodness of fit index and root mean square error of approximation are satisfying its benchmarking. Similarly, the incremental fit measures namely AGFI, NFI, CFI, IFI and RFI are greater than its minimum threshold. The parsimony fit measures namely PGFI and PNFI are greater than its benchmarking of 0.50. All these results indicate the validity of SEM applied for the respondents at unorganized outlets.

**Direct and indirect effect of RSQFS on respondents loyalty at unorganized outlets**

The executed SEM results in various path coefficients of RSQFs i.e, direct, indirect and total effect. The direct effect indicates the direct influence of RSQFs on customer loyalty on unorganized outlets. The indirect effect reveals the influence of RSQFs on customer loyalty through customer satisfaction on unorganized outlets. The path coefficients in various paths and its statistical significance are given in table 1.3.

**TABLE 1.3**  
**Direct and Indirect effect of RSQFs on respondents loyalty at on Unorganized Outlets**

Sl.No	RSQFs	Direct effect	Indirect effect	Total effect
1	Store merchandise	0.0541	0.0785	0.1328
2	Physical aspects	0.0923	0.1032	0.1959
3	Policy	0.1044	0.0884	0.1928
4	Problem solving	0.1235*	0.0865*	0.3100
5	Personal interaction	0.0966	0.0901*	0.2367
6	Access	0.0617	0.0575	0.1192

\*Significant at five per cent level

The significantly and directly influencing RSQFs on the customer loyalty on unorganized outlets is problem solving since their path coefficients are significant at five per cent level. The significant and indirect RSQFs influence on respondents loyalty among the respondents at unorganized outlets are problem solving and personal interaction since their indirect path coefficients are significant at five per cent level. The higher total impact is noticed in the case of problem solving and personal interaction since their coefficients are 0.3100 and 0.2367 respectively. The analysis reveals that the role of mediator variable namely customer satisfaction in between RSQFs and respondents loyalty is inevitable at unorganized outlets.

**Direct and indirect effect of RSQFS on customer loyalty at organized outlets**

The direct and indirect effects of RSQFs on respondents loyalty on organized outlets have been administered with the help of structural equation modeling among the respondents at organized outlets. The fit indices of structural equation modeling for respondents at organized outlets have been computed and shown in Table 1.4.

**TABLE 1.4**  
**Fit indices of Structural Equation Model at Organized Outlets**

Sl.No	RSQFs	Bench Mark	Actual
I	<b>Absolute Fit Measures</b>		
1	Chi-square	0.05	0.0245
2	Goodness of Fit Index (GFI)	0.60	0.9542
3	Root Mean Square Error of <b>Approximation (RMSEA)</b>	0.08	0.0219
II	<b>Incremental Fit Measures</b>		
1	Adjusted Goodness of Fit Index (AGFI)	0.90	0.9372
2	Normal Fit Index (NFI)	0.90	0.9526
3	Comparative Fit Index (CFI)	0.90	0.9673
4	Increment Fit Index (IFI)	0.90	0.9728
5	Relative Fit Index (RFI)	0.90	0.9811
III	<b>Parsimony Fit Measures</b>		
1	Parsimony Goodness of Fit Index (PGFI)	0.50	0.5903
2	Parsimony Normal Fit Index (PNFI)	0.50	0.7517

\*Significant at five per cent level

The absolute fit measures indicate the validity of fit indices. The incremental fit measures namely AGFI, NFI, CFI, IFI and RFI are greater than its minimum threshold of 0.90 which justifies the validity of fitted structural equation model. The parsimony fit measures namely PGFI and PNFI are greater than its minimum expected value of 0.50. All these results show the validity of the fitted structural equation model.

The path coefficients of RSQFs on customer loyalty are examined with the help of direct, indirect effect and total effects. The path coefficients of independent variables at organized outlets are presented it table 1.5.

**Table 1.5**  
**Direct and Indirect Effect of RSQFs on Respondents Loyalty at Organized Outlets**

Sl.No	RSQFs	Direct effect	Indirect effect	Total effect
1	Store merchandise	0.1021	0.2296*	0.3317
2	Physical aspects	0.0084	0.2659*	0.2743
3	Policy	0.0514	0.1022	0.1538
4	Problem solving	0.1649*	0.3689*	0.5338
5	Personal interaction	0.1296*	0.3347*	0.4643
6	Access	0.0861	0.0571	0.1432

\* Significant at five per cent level

The significantly and positively influencing RSQFs on the respondents loyalty at organized outlets are problem solving and personal interaction since their path coefficients (0.1649 and 0.1296) are significant at five per cent level. The RSQFs which have a significant indirect impact on customer loyalty are store merchandise, physical aspects, problem solving and their path coefficients are significant at five per cent level. The higher total impact is noticed in the case of problem solving and personal interaction since its total effects are 0.5338 and 0.4643 respectively.

**FINDINGS**

The significant and direct influencing RSQFs on customer loyalty on unorganized retail outlets are policy and problem solving, whereas the problem and personal interaction have a significant indirect impact on customer loyalty on organized outlets i.e. through customer satisfaction. The total effect on customer loyalty on organized outlets is identified to be higher in the case of problem solving and personal interaction.

In the organized outlets, the significant and direct influencing RSQFs on customer loyalty are only problem solving and personal interaction. Through the customer satisfaction, the significant influencing RSQFs on customer loyalty are store merchandise, physical aspects, problem solving and personal interaction. The main reason behind customer loyalty on organized outlets is identified to be problem solving and personal interaction.

**CONCLUSION**

The RSQFs directly and indirectly influencing customers loyalty on unorganized retail outlets are policy and problems whereas the problem and personal interaction have a significant impact on customer loyalty on organized outlets.

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