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The importance of retail service quality and store image
In creating customer loyalty

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ABSTRACT
Retail business environment is changing rapidly, it is marked by the domestic retail business competition has been demanding Retail Company's ability to improve ability to compete by offering quality service which is capable of fulfilling customers' expectations and create a positive image on customers' mind. The purpose of this paper is to examine the role of retail service quality and store image in creating customer loyalty. Through a survey conducted on 300 member modern markets at Garut regency and analysis of structural equation modeling (SEM) with maximum likehood approach, showing that the model is acceptable and in accordance with previous results studies. Overall, the results may reflect that in the retail industry, customer loyalty is determined by how the consumer assessment of the quality of services provided in a store as well as its image.

1. INTRODUCTION

Service Quality is an important concept in marketing that is often discussed and debated in the marketing literature (Das et al., 2008). Even some experts say that service quality can be a significant differentiator for an organization (Wong & Sohal, 2003). Organization strives to maintain excellent service quality in order to increase customer loyalty. The concept of service quality is the most often used in the extent of service to the customers' needs, and this involves a comparison between customers' expectations and customers' perceptions of actual performance (Parasuraman et al., 1988).

A company needs to provide quality services that can fulfill or exceed customers' expectations. Satisfied Customers with the quality of service is likely to be loyal. Quality of service is seen as a tool to increase value for consumers and ensure the fulfillment of customer satisfaction (Sivadas and Baker-Prewitt, 2000).

Reciprocally in the retail business which is experiencing rapid change. It is characterized by increased domestic competition. As a result, the current retail companies must be able to distinguish itself with customers' needs better than competitors (Darshan, 2005). As one form of business that includes services in its offer, retail industry is required to be able to provide superior service to customers. In general, service in the retail industry includes the ability of employees in service, give comfort, ease of location, competitive pricing, complete product, to knowledge of employees about the product. Darshan (2005) mentioned that opinions of many experts who argued that the basic strategy of retail business in creating competitive advantage by providing high quality service.

In Indonesia, retail industry is a strategic industry for economic development of Indonesia. Retail Indonesian Employers Association (APRINDO) stated that retail sector is the second sector that absorbs most workers in Indonesia, which is 18.9 million people absorbing capacity, under the agricultural sector reached 41.8 million people. Retail is one of the backbones of the national economy. Retail market potential is around Rp. 600 Trillion and modern retail is estimated to have reached 20% or about Rp 120 trillion. The contribution of retail sector to the Gross Domestic Product (GDP) reached 20%. Also seen from the quantity, from 22.7 million of business in Indonesia as much 10.3 million or about 45% is a big and retail .business

At Garut, retail businesses have entered the supermarket and the minimarket. Retail business groups for large and medium scale at Garut can be seen by the existence of the Yogya department store, Asia department store, and Yoma Department Store. As for retail business minimarket modern groups are minimarket Alfamart, YOMART, and Indomart. With the increasing number of companies engaged in similar retail industry, has encouraged increased competition, so companies need to develop strategies to re-create customer loyalty, which eventually can increase the profitability of the company.

This paper aims to identify the role of quality service the store image in creating customer loyalty in the retail industry. This is done by literature study and the results of previous research on customer loyalty in retail business. Thus, a conceptual framework can be built. Furthermore, empirically research done by distributing questionnaires to customers who become members at some modern markets in Garut regency.

2. LITERATURE REVIEW

2.1 Retail Service Quality
Service Quality defined as an assessment or attitudes related to totality primacy (Parasuraman et al., 1988).

SERVQUAL model is based on measuring the gap consumers' expectations and service performance. SERVQUAL model from *Parasuraman et al*. empirically evidently in some studies about service quality. However, in retail industry there are some fundamental differences. In retail industry, the service perspective is not only a service, but also goods offered by retail itself. Therefore, the measurement of service quality in retail industry becomes more complex because it combines the sale of services and goods, such as how the employee's ability to help consumers who are shopping and how the quality of goods supplied (Gagliano & Hathcote, 1994).

Measurement of retail service quality in this paper using a model developed by Dabholkar et al (1996). Retail service quality has a hierarchical structure factor consists of five basic dimensions (Dabholkar et al., 1996; Metha CS, et al., 2000). These five dimensions are:
1. Physical Aspect (physical aspects), covering all functional elements such as layout, comfort and privacy as well as aesthetic elements such as architecture, color, material and style of the store.
2. Reliability (reliability), is a combination of activities in providing services as promised.
3. Personal Interaction (personal interaction), is a courteous personal service, helpful, giving confidence and trust to customers.
4. Problem solving (problem solving), an exchange re-handling activities and the handling of complaints.
5. Policy (policy), is a series of strategies, procedures and operating principles such as the procurement of high quality store items, convenient operating hours, availability of parking space and payment options.

Some research found that service quality is one of key factor in establishing the image of the organization (Kandampully & Suhartanto, 2000). Study conducted Das et al. (2008) in Department stores and Supermarkets examining Dabholkar model also showed that the model can be accepted.

2.2 Store Image
Image of an organization is an important variable that affects the marketing activities. The image is considered to have the ability to influence customer perceptions of goods and services offered by the company (Zeithaml & Bitner, 1996). Thus, the image will have an impact on purchasing behavior.

Similarly, in the retail industry, store image is an important component of consumer choices that can lead to loyalty (Thompson & Yat Ling, 1998). Store image refers to what consumers think about the particular store which includes perceptions and attitudes based on the sensation of stimuli associated with the store received through the senses. Store image is usually known by asking customers how important or how nice the operational aspects of the retail stores. Scale of measurement techniques, such as the semantic differential and attitude scales, commonly used for this purpose.

Research about store image is carried out through a survey of consumer perceptions and attitudes on the dimensions of the store. Frequently, the same attributes of each competing stores studied to compare the strengths and weaknesses specific store image to image of competitor. Developing a consistent image of the store becomes an aim of retail business concerned about coordinating the various aspects of the store image in order to create attraction for specific market segments.

Store Image according to Simamora (2003) has two supporting factors namely, External and Internal Impression. External Impression includes location, architect design appeal, visage look, placement of logos, design of entrance, front display windows. These attributes is one of non-verbal communication tool in creating store image. While internal impression includes color of shop, shape of shop, internal display setting, layout goods setting.

Especially for internal store image election, a retailer must consider intended target market. The difference of consumers' characteristic requires a retailer to be able in understanding this condition so the store management can prioritize its potential customers.

The image which is directed by a retailer may not be suitable for everyone. Therefore, store image should be created according to the psychological needs and physical needs of its target market (Simamora, 2003).

2.3 Customer Loyalty
Marketing emphasis to customer loyalty from both theoretical and practical has been increasing (Ruyter, 1998). One of way to improve customer loyalty is providing good quality services, which is expected to make the customer do repeat buying t the same vendor.

Sense of loyalty has been advanced by marketing experts. In general, loyalty is often interpreted as repeat purchasing of exactly same goods or services at the same time. Griffin (2005) mentioned that a customer can be considered as a loyal one if he/she shows the regular purchase behavior or there is a condition in which the customer makes a purchase at least twice in a period of time. Wong & Sohal (2003) added that customer loyalty can be described as a positive attitude shown by customers through goods and services or companies that supply goods and services. Thus, literally, customer loyalty at a vendor will cause customers do more transactions with these vendors.

There are two dimensions of loyalty (Kandampully & Suhartanto, 2000), the behavior (behavioral) and attitude (attitudinal). Behavioral dimension refers to the behavior of customers who make repeat purchases,

indicating a preference for a brand or service from time to time. Dimension refers to the attitude of the customer intention to repurchase and recommend to other consumers.

The study of Wong & Sohal (2003) on service quality and two levels of customer loyalty in retail industry showed a significant effect. Study conducted by

Clottey et al. (2008) also found that service quality, product quality and brand image is a key factor in encouraging customer loyalty.

Based on these literature studies, the research model is built as follows:
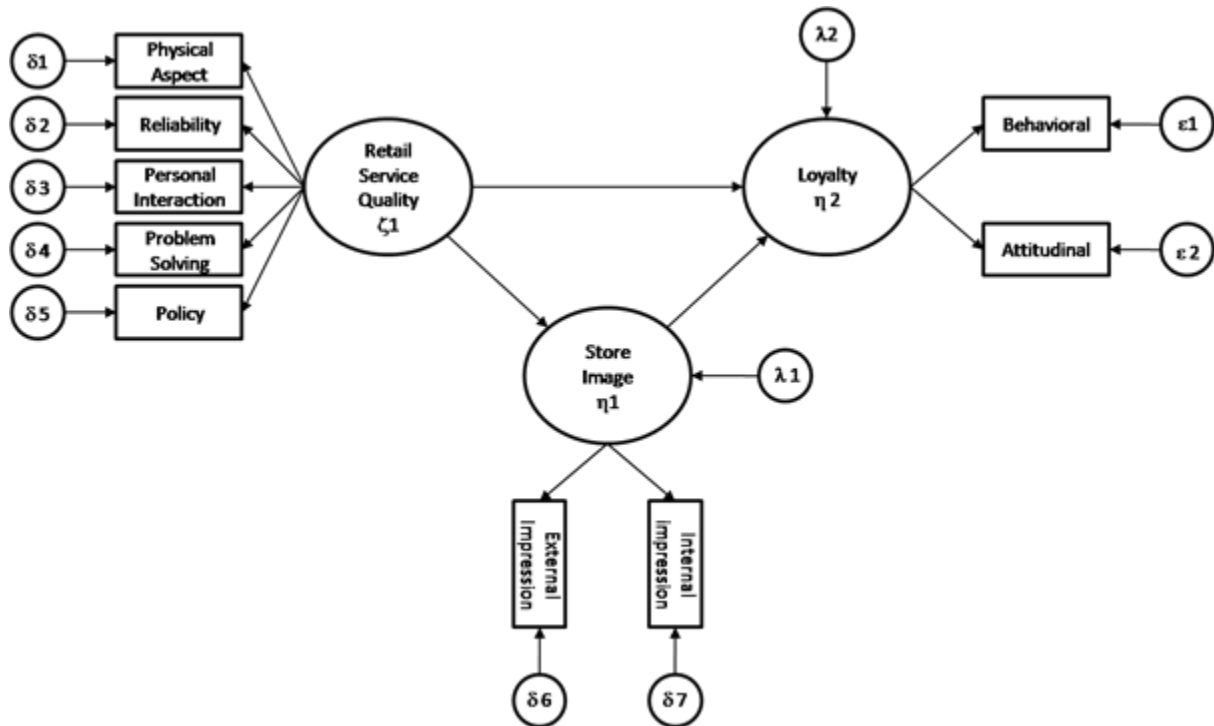
Figure 1 Model Diagram Structural

3   DESIGN, MEASURES AND METHODS

Research design used is causality. Survey approach conducted to examine the causal relationship between variables empirically observed. The survey was conducted on 300 member Supermarkets at Garut.

Research model is built based on several research studies published in scientific journals including the Journal of Services Marketing, International Journal of Retail and Distribution Management, and Journal of Marketing Practice: Applied Marketing Science, which compiled in a structural diagram above (figure 1).

Exogenous variable in this research is the Retail Service Quality presented by Dabholkar et al. (1996) which was scale measured customer attitudes toward physical condition aspect, reliability, personal interaction, problem solving and policy. Endogenous variables consist of Store Image and Customer Loyalty. Store image measured by the scale of

customer attitudes about the external impression (external impression) as the location, architect design appeal, visage look, placement of logos, design of entrance, front display window and internally (internal impression) includes color of shop, shape of shop, internal display setting, layout goods setting.

Other endogenous variables customer loyalty is measured by how the behavior and attitudes of customers include repeat purchasing, purchasing preferences, and recommendations for others.

Data analysis in this research is using *structural equation modeling* which maximum likehood approach (ML) as the estimation model.

4   RESULT

Normality test is conducted first. Data can be considered normal if c.r. Multivariate special terms -2.58 <c.r. <2:58. Normality test results showed that the data is not normal because it has a value of cr

multivariate for 3.72> 2:58, so that should be the removal of outlier data that has significance (Mahalanobis distance) p1 and p2 <0.05. Based on the results, there were 10 samples with outlier, and should be removed from the data. Elimination of 10 samples yielded values c.r Multivariate as 1:35 (<2:58) and the value of p1 and p2 on Mahalanobis distance> from 0001 which means the data in normal distribution and there is no outlier data.

Testing suitability of the model using several criteria namely Chi Square value, significance probability, Cmin / DF, RMSEA, TLI, NFI, and CFI. Initial test results were considered less fit model on several indicators such as Significance Probability with 0:03 value (<0.05), so some modifications made that followed modification indices. Test results after the modifications are summarized in table 1 below.

Table 1. Results Measurement Model Goodness of Fit after Modifications

Criteria	Cut-Off Value	Model Result	Explanation
Chi-Square (CMIN)	Tend to 0	18.620	Marginal
Significance Probability	≥ 0.05	0.286	Fit
CMIN/DF	≤ 2.00	1.719	Fit
RMSEA	≤ 0.08	0.050	Fit
TLI	≥ 0.90	0.959	Fit
NFI	≥ 0.90	0.967	Fit
CFI	≥ 0.95	0.985	Fit

Table 1 show that the proposed model is acceptable, because the value of compatibility testing criteria compared with the reference value (cut-off-value) equation model good results.

Convergent validity of the test data obtained from each variable model (measurement model), this test was performed to determine the validity of each indicator is estimated, by measuring the dimensions of the concepts tested in the study.

Table 2. Regression weight on each factor

Variable			Estimate	S.E.	C.R.	P	Label
Loy1	<---	Loyalty	1.000				
Loy2	<---	Loyalty	1.153	.177	6.512	***	par_4
RSQ1	<---	RSQ	1.000				
RSQ2	<---	RSQ	1.215	.293	4.145	***	par_5
RSQ3	<---	RSQ	1.521	.377	4.037	***	par_6
RSQ4	<---	RSQ	3.130	.777	4.026	***	par_7
RSQ5	<---	RSQ	1.580	.385	4.100	***	par_8
SI1	<---	Store image	1.036	.141	7.361	***	par_9
SI2	<---	Store image	1.000				

Table 2 shows that each latent variable is significantly formed each observ variable. This is shown by p-value < 0.05. In this case, the five aspects of retail service quality (physical aspect, reliability, personal interaction, problem solving and policy) proposed by Dabholkar et al. (1996) established a significant retail service quality. These results are also consistent with research conducted Metha CS, et al., (2000) who tested the quality of service in retail industry. Likewise, the variable image store image and customer loyalty. Both variables are significantly formed by factors observed.

Causality test model can be analyzed through the results of the regression weights among latent variables. Results of causality test regression weights as follows.

Table 3. Regression weights in the causality test

Variable			Estimate	S.E.	C.R.	P	Label
Store image	<---	RSQ	.857	.222	3.864	***	par_2
Loyalty	<---	Store image	.552	.090	6.112	***	par_1
Loyalty	<---	RSQ	.550	.208	2.642	.008	par_3

Based on Table 3 can be seen that the retail service quality variables has a significant affect on store image. This is shown by the value of p <0.05. Likewise store image variables significantly affect on customer loyalty and retail service quality variable significantly affect on the customer loyalty.

Based on result of the research, can be obtained the description about particular theory of service quality. Dimension of service quality in e retail industry has differences with the concept proposed by Parasuraman et al (1988). In the retail business, services provided by the company involve product offers. So that service quality in retail industry becomes more complex.

In general, it is known that the role of service quality is very important in forming the store image itself and will create customer loyalty. Store image as a perception that was formed from past experiences when consumers interacting, it will be able to encourage consumers to make repeat purchasing at the same store.

In the other hand, managerial implications of this research can be obtained to maintain the image that customer loyalty, every business organization needs to enhance customer satisfaction. Customer satisfaction will increase if the organization is able to improve the quality of service and build sustainable relationships. So, it will create a positive impression in customers' minds form the image of the organization.

5 CONCLUSION

Based on the estimation of structural equation models, it can be concluded that the retail service quality

becomes an important part in forming store image and create customer loyalty. Likewise, store image, is a factor that needs to be considered in creating customer loyalty. This is indicated by a positive causality of the observed variable.

However, this research has several limitations including, the development of research model did not involve an element of customer satisfaction as an intervening variables in testing causal relationships retail service quality on customer loyalty. Thus, this research can't describe the condition of observed customer satisfaction.

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