Original Paper

Positive Service Encounter: A Tool for Customer

Loyalty in Retail

Swati Singh[1*]

[1] Amity Business School, Amity University Uttar Pradesh, Lucknow, India

* Swati Singh, E-mail: swatirastogisingh@gmail.com

Abstract

Customers' perception of service depends on service encounter. The purpose of this paper is to build and test a model of relationship between service quality, customer satisfaction and loyalty in a retail context. It also aims at understanding different factors that effect service quality. The subject is approached by a cross-sectional survey on a random sample of 230 customers after their service encounter with store employees in retail outlets. Structural Equation Modeling is used to test the model developed during the study. The findings indicate that responsiveness and assurance provided by the retail employees are the most important contributors of good service quality. Although competence is a better tool of customers' measurement of service quality, appeal of the employees' in terms of looks and personality are not found to effect customers' perception of service quality. Results suggest that good service quality contributes to development of customer loyalty through customer satisfaction. The study would give an insight into understanding the importance of positive service encounter along with the implications of employees' behavior for customer loyalty in service setting. This study contributes to marketing practice by offering an understanding to acquire customer loyalty. It also emphasizes the need to understand a positive service encounter which impacts the service quality.

Keywords

service quality, service encounter, customer satisfaction, customer loyalty, retail

1. Introduction

Positive service encounter is a key indicator to success for service industry. It results in high customer loyalty and further customer recommendation (Reichheld and Earl Sasser, 1990). High competitiveness motivates companies to be more customer oriented (Kotler, 1997). Retail industry survives and thrives on good customer interaction. This has forced the retailers to understand the importance of positive service encounter as the best customer retention tool. Intense competition in retail industry has drawn more focus on study of employee and service encounters in understanding service quality and its relationship with customer satisfaction and loyalty (Wagar, 2008; Yoon *et al.* 2004).

244

Shostack (1985, pp. 243) states service encounter as *"a period of time during which a customer directly interacts with a service"*. Service encounter also termed as 'Moment of truth' are resultants of interaction between a company's employees and its customers (Carlzon, 1987; Czepiel et al., 1985). 'Moment of truth' (MOT) is "*the foundation or building block for customer satisfaction and service quality*" (Zeithmal and Bitner, 2003, pp.99).

Service encounters are first and foremost social exchanges that lead customers to judge service quality which is by and large based on their evaluation of personal experiences during the service encounter (Parasuraman *et al.*, 1988; Patterson and Mattila, 2008; Winsted, 2000). Service encounter is a major determinant of customer's behavior towards service (Cronin *et al.*, 2000; Farrell *et al.*, 2001).

Little empirical research has focused explicitly on the relationship between perception of highly positive or highly negative service encounter and behavioral intentions of customers (De Ruyter *et al.*, 1999; Siu and Chenug, 2001). Rust and Oliver (1994) suggest that a single or prolonged set of service encounters leads to customer satisfaction or dissatisfaction. Organizations understanding of service encounter and customers' perceptions of their employee's behavior represent direct determinants of customer satisfaction (So¨derlund and Rosengren, 2008; Specht *et al.*, 2007).

Service quality can be attributed to either *tangibles* like perception of the store or through *intangibles* like service encounter (Parasuraman *et al.,* 1991a; Wong and Sohal, 2003). Perception of service quality is an antecedent to customer satisfaction (Gu¨rbu¨z, 2008). In service firms, customer satisfaction is a critical performance indicator. Customer satisfaction is an antecedent to customer loyalty by delivering superior service value (Bitner *et al*., 1990). Although subjective, these constructs play a significant role in determining customer choices, their decisions to deepen or terminate a relationship and therefore customer retention and long-term profitability.

The goal of this paper is to reveal these interrelationships. The organization of the paper is as follows. The paper identifies importance of service encounter followed by review of literature on service quality, customer satisfaction and loyalty. A conceptual model along with hypotheses is proposed, methodology and results are then presented. It concludes with a discussion on the findings, implications of the study and provides directions for future research.

2. Literature Review and Research Hypothesis

Drawing on a prodigious body of knowledge, the context for this research is developed. This section presents the constructs and the conceptual framework. The framework is depicted in Figure 1.

2.1 Relationship between Service Quality and Customer Satisfaction

Service quality is the consumer's subjective assessment of service performance (Dabholkar *et al.*, 2000). It is the customer's overall impression of the relative inferiority/superiority of the organization and its services (Bitner & Hubert; 1994). There are two dimensions of service quality: tangibles and process, the latter having a greater influence on satisfaction and loyalty (Yap and Sweeney, 2007). Positive service encounter in retail is the resultant of good service quality which is reinforced with

245

employee's behavior towards the customers.

Good service quality is a preemptive measure by the organizations to beat the competition by attaining customer satisfaction (Danaher and Rust, 1994). Customer satisfaction is a correlate of employee performance and higher quality service (Berry *et al.*, 1994). Paradise-Tornow (1990) examined relationships between employee perceptions of management leadership and measures of financial performance and efficiency. The measures of managerial behavior were tied to a leadership/management model which focused on behaviors believed to be important in establishing a competitive sales and service-oriented culture.

Ferna´ndez-Gonza´lez and Prado Prado (2007) studied that customer satisfaction would be more if employees are trained in their dealings with customers. Thus, there exist a strong relationship between employee attitudes, performance, and customer satisfaction (Adsit *et al.*, 1996; Ekinci *et al.*, 2008). Bolton and Drew (1994) studied the relationship between customer satisfaction and service quality indicating that customer satisfaction depends on pre-existing or contemporaneous attitudes about service quality.

Arising from the foregoing review of the literature relating service quality to customer satisfaction, it is hypothesized that:

H1: *Better the service quality better would be the customer satisfaction.*

2.2 Relationship between Customer Satisfaction and Customer Loyalty

Customer satisfaction is a fundamental concept in marketing and it pursuit an important goal for businesses (Webster, 1994). In today's competitiveness customer satisfaction is considered to be a success tool (Jamal & Naser, 2002). Customers' perception plays a key role in their satisfaction in service industry (Gilbert & Veloutsou, 2006). Customer satisfaction measurement is considered to be the most reliable feedback system providing preferences and expectations of the customers in an effective, direct, meaningful and objective way *(*Grigouridis and Siskos, 2002*)*.

Organizations profitability and performance correlates directly with customer loyalty (Jones and Sasser, 1995). This is more important with service sector (Reichheld, 1996). Customer loyalty programs help the organizations to effectively reward their best or potentially important best customers (Gable *et al.*, 2008). Paolo *et al.* (2009) has developed and tested a comprehensive model of customer trust to overall perceived value and store loyalty intentions and behaviors in retailing.

The relevance of customer satisfaction for greater repurchase intentions (Bolton, 1998) and positive word-of-mouth or recommendations effects (File *et al*., 1994) is being recognized. With increased competition in retail sector, there has been a shift in focus from "attracting customers" to "retaining customers" (Cronin and Taylor, 1992). Underlying this view is the belief that it is generally less costly to invest in programs designed to foster the retention of customers-by enhancing customer satisfaction, providing better value, or development of improved or expanded services– than the costs associated with the acquisition of new customers (Rust *et al.*, 2000).

Walsh *et al.* (2008) studied moderating effects of several firm-related variables on satisfaction-loyalty

relationship in services. Service quality lends support on the favorable outcomes such as loyalty (Zeithaml *et al.*, 1996). Earlier studies discussed the hierarchical nature of relationship between customer satisfaction and customer loyalty (Anderson and Mittal, 2000). However, Danaher and Haddrell (1996) and Sivadas & Baker-Prewitt (2000) found that satisfied customers do not necessarily demonstrate loyalty. Satisfaction influences relative attitude, repurchase, and recommendation but has no direct effect on store loyalty. Service firms tries to attain customer satisfaction and loyalty by delivering superior value, an underlying source of competitive advantage (Woodruff, 1997). For service firms the challenge is to identify the critical factors that determine customer satisfaction and loyalty.

On the basis of the preceding review of the literature connecting customer satisfaction to customer loyalty, it is hypothesized that:

H2: There is a direct and a positive relationship between customer satisfaction and customer loyalty.

By modeling the constructs into these three categories, this section presents service quality-customer relationship in Figure 1. This framework is grounded on a paradigm of various theories.
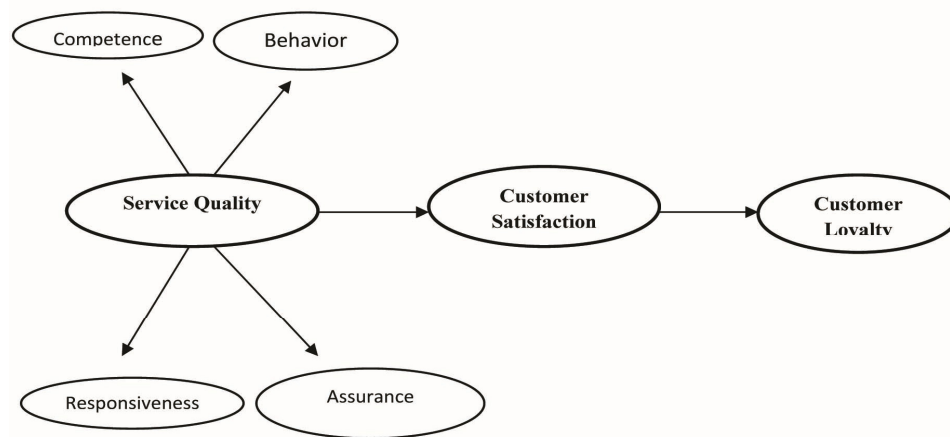
Figure 1. Proposed Framework of the relationships among service quality, customer satisfaction and customer loyalty

3. Research Design

The unit of analysis in this study is a retail customer. A two-page questionnaire is used to collect data and to measure the theoretical constructs in the proposed relationship. A convenience sample was used by choosing customers that have shopped from retail outlets for fashion apparel and accessories of two Indian cities, Lucknow and Kanpur. Customers approached were interviewed through a set of open-ended questions. Each interview lasted for about 15 minutes. They were first asked preliminary questions about their background and profile to ensure diversity in terms of age, gender, income and qualifications.

In keeping with current relationship based research, the questionnaire is designed to cover the key

components of service quality, customer satisfaction and customer loyalty. A five-point Likert scale with end points of "strongly disagree" and "strongly agree" is used to measure the items. In an effort to increase the response rate, questions are adapted /modified from various papers. Various sources are considered to capture many aspects of the SERVQUAL dimensions, customer satisfaction and customer loyalty in the questionnaire. Based on a review of instruments used in related literature (Parsuraman *et al.*, 1985, Westbrook, 1981; Kelly and Davis, 1994 and Bitnner and Hubbert, 1994; Narayandas, 1997; Gremeler & Brown (1996) and Westbrook, 1987), 40 statements/items were modified/ adapted to the retail context. The 40 items can be found in Appendix 1. The response data is analyzed by structural equation modeling.

Various sources are considered to capture many aspects of the SERVQUAL dimensions, customer satisfaction and customer loyalty in the questionnaire. Based on a review of instruments used in related literature (Parsuraman *et al.*, 1985, Westbrook, 1981; Kelly and Davis, 1994 and Bitnner and Hubbert, 1994; Narayandas, 1997; Gremeler & Brown (1996) and Westbrook, 1987), 40 statements/items were modified/ adapted to the retail context. The 40 items can be found in Appendix 1. The response data is analyzed by structural equation modeling.

Of the 250 collected questionnaires, 230 were retained which were complete in all respects. The questionnaire includes the demographic profile of the respondents as these factors are likely to influence their buying behavior. The profile of respondents is given is Table 1.

According to Table 1, nearly 50% of the respondents are salaried and businessmen. Nearly 50% of the respondents fall into the age group of 25 to 35 years. Table 1 also points out that respondents are from different income backgrounds with significant majority of the respondents had income between INR 3-5 lakh. Education background shows maximum percentage of respondents to be graduates. It also depicts that majority of the respondents visit these outlets more than once. The respondents' demographic profile clearly brings out characteristics of Indians falling in the middle class range. This is the burgeoning class that has evolved with the changing economic scenario and is willing to buy branded products from organized retailers (Parthasarathy *et al.* 2010).

Table 1. Respondents Profile

Respondent profile	No.
Profession	
Salaried	75
Business	66
Home maker	31
Student	58
Age	
15-25 years	65

26-30 years	80
31-35 years	49
36-40 years	17
41-50 years	14
Above 50 years	5
Gender	
Male	149
Female	81
Educational Qualification	
High school	3
Intermediate	23
Graduate	131
Postgraduate	69
Any other	5
Overall Work Experience	
NIL	70
< 1 year	33
Between 1-5 years	65
Between 5-10 years	32
Between 10-15 years	21
Above 15 years	9
No. of members in your family	
1	6
2	22
3	63
4	80
5 and above	59
Income per annum	
Less than 1,846 USD p.a.	36
Between 1,846 USD - 5,538 USD	71
p.a.	88
Between 5,538 USD - 9,230 USD	28
p.a.	7
Between 9,230 USD - 18,460 USD	
p.a.	
Greater than 18,460 USD p.a.	

Your frequency of visiting this retail	
outlet	89
Once a month	102
More than once a month	29
Once in 6 months	10
Once a year	

3.1 Measurement Development and Assessment

The instrument is developed in a manner that satisfies the requirements of reliability, validity and unidimensionality. The confirmatory factor analysis is used for assessing the construct validity and unidimensionality of the instrument (Ahire *et al.*, 1996). Prior to data collection, the content validity of the instrument was established by grounding it strongly in existing literature and conducting pre-tests. Before applying factor analysis for data reduction, the data corresponding to different constructs was subjected to a number of evaluative procedures.

4. Results and Analysis

The first stage of the construct development process involves evaluation of Cronbach's alpha for each construct scales. The coefficient alphas for the "service quality," "customer satisfaction," and "customer loyalty" dimensions are 0.890, 0.840 and 0.857 respectively, all of which are above the threshold of 0.70 recommended by Nunnally (1978). These results suggest that the theoretical constructs exhibit good psychometric properties.

KMO and Bartlett's Test of sphericity are found to be significant i.e., above 0.8 for all the three constructs. This signifies that some correlation exist in order to proceed for factor analysis. Next, the communalities are evaluated and only those items with communalities above 0.5 are retained. Items that contributed least to the overall internal consistency are the first to be considered for exclusion. The item inter-correlation matrix shows that there are no items that are negatively correlated to other items within scale. All the items have their correlation value between 0.3 and 0.8 with at least one item of the scale. Since all the constructs achieved the target value, the analysis moves on the next stage of instrument development.

The second stage of the development process involves exploratory factor analysis (EFA) using principal component analysis. The commonly recommended method of orthogonal varimax rotation with Kaiser Normalization was used to clarify the factors. Since the constitution of the constructs was determined prior to the analysis, the exact number of factors to be extracted are ascertained in this analysis. With exploratory factor analyses, altogether 13 items with cross loadings are being deleted, resulting in a 27-item scale to measure service encounter. Subsequent factor analysis is carried out on the 27 items. Principal component analysis results in a four-factor solution (see Table II).

For the first construct i.e. service quality, factors were predetermined in four categories as the items

250

were based on a strong conceptual foundation. From the initial 25 items, 9 items are deleted because of low factor loadings and cross loadings. A clear four factor structure emerges where factors are labeled as "competence", "responsiveness", "assurance" and "appeal". For analyzing the other two constructs i.e. customer satisfaction and customer loyalty, MINIEIGEN criteria is being used and they exhibit unidimensionality. In case of customer satisfaction from the initial out of 8 items 3 items are deleted and in case of customer loyalty from initial 7 items 2 are deleted. Table II presents the results of analysis of the data relating to the final factor loadings of the retained items on their underlying factors. Construct validity results (Refer Table II) clearly indicates that the items in the scale measure the theoretical construct (Carmine and Zeller, 1979; Churchill, 1987). It shows that the individual constructs loads significantly on their factors and also indicates their discriminant validity i.e. the individual items of a construct are unique and do not measure any other constructs. It can be seen that all the loadings are quite high and their Eigen values exceed the minimum criteria of 1.00. As may be seen, alpha coefficients are also quite satisfactory. Table II also shows that all the indicators are significantly related to their underlying theoretical constructs.

Table 2. Findings of Principal Component Analysis and Confirmatory Factor Analysis

Factor Pattern for Retail Service Items

| Items	Principal Component Factor Loading	Measurement Model	
		Standard Coefficient	R^2
Service Quality			
Factor 1: Competence			
Employees care about my interests	0.707	0.628	0.395
Employees understand my specific needs of purchase.	0.703	0.782	0.612
Employees instill confidence in us.	0.613	0.689	0.475
Employees perform the service right, the first time	0.605	0.681	0.463
Billing is quick at payment counter.	0.603	0.658	0.434
The employees give us personal attention.	0.585	0.633	0.400
Employees remember my tastes & preference when I visit the outlet again.	0.505	0.675	0.414
Reliability coefficient alpha = 0.822			
Eigenvalue = 6.051, variance accounted for: 37.819			
Factor 2: Responsiveness			
The employees listen patiently to our complaints.	0.753	0.689	0.458
Employees comply with my requests.	0.678	0.628	0.426

Employees are very polite to me.	0.677	0.662	0.438
Employees show readiness to respond to our requests.	0.649	0.727	0.528

Reliability coefficient alpha = 0.775

Eigenvalue = 1.373, variance accounted for: 8.584

Factor 3: Assurance

Employees are never too busy to respond to requests.	0.744	0.733	0.361
The employees provide services as promised.	0.741	0.689	0.474
The employees properly handle any problems that arise.	0.584	0.666	0.444

Reliability coefficient alpha = 0.708

Eigenvalue = 1.192, variance accounted for: 7.450

Factor 4: Appeal

Employees are neat in appearance.	0.799	0.688	0.474
The employees are friendly.	0.722	0.681	0.464

Reliability coefficient alpha = 0.703

Eigenvalue = 1.093, variance accounted for: 6.205

Customer Satisfaction

This retail store is my first choice when I need to shop.	0.863	0.806	0.650
In general, I am satisfied with this store.	0.851	0.842	0.709
In general, I like buying from here.	0.772	0.671	0.595
My shopping needs are satisfied here.	0.740	0.745	0.587

Reliability coefficient alpha = 0.840

Eigenvalue = 3.070, variance accounted for: 61.405

Customer Loyalty

I would encourage my friends and relatives to purchase from here.	0.842	0.733	0.537
I have already recommended this retail outlet to my friends & relatives.	0.802	0.720	0.519
Overall, the service quality of this outlet is excellent	0.796		
Overall, this outlet comes up to my expectations of what makes a good retail outlet.	0.783	0.775	0.600
		0.738	0.545
I intend to repeat my visit to this outlet.	0.763		
Reliability coefficient alpha = 0.857		0.730	0.532

Eigenvalue = 3.180, variance accounted for: 63.00

CMIN/DF=2.16; RMR=0.04; GFI=0.88; CFI=0.91; RMSEA=0.07

The final stage involves testing of the structural model to assess the links between the variables discussed in the theoretical section (and summarized in Figure 1). It is recommended to confirm the measurement model before testing the structural model in order to avoid any respecification problem

which may arise later. Hence confirmatory factor analysis (CFA) is carried out on different constructs with the help of structural equation modeling through the statistical package AMOS 17. Maximum Likelihood Estimation is used. In this stage, indicator items are eliminated from further consideration if their proportion of variance (R^2) value are less than 0.30 (Carr and Pearson, 1999). Five different goodness-of-fit indices namely CMIN/DF, RMR, GFI, GFI, CFI, RMSEA are used to evaluate the tenability of the models (Bo1llen and Long, 1993).

The result also shows acceptable values for goodness of fit suggesting the models to be satisfactory. The three-stage continuous improvement cycle is reiterated until the theoretical constructs exhibited acceptable levels of reliability, validity, and unidimensionality. AMOS 17 is used to investigate the relationships between the research hypothesis and theoretical model. Figure 2 presents the operationalized structural equation model, with its descriptive statistics.
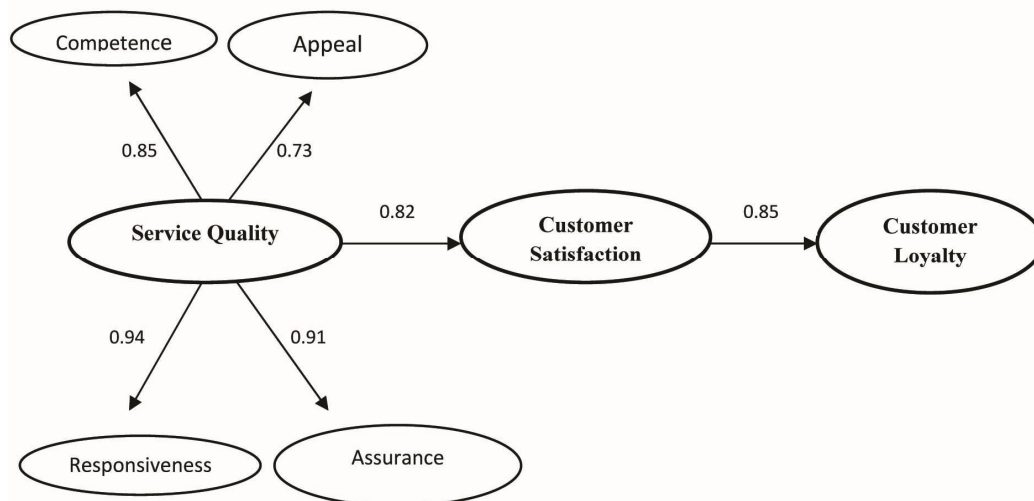
Figure. 2. Structural equation modeling results

The results of the analysis support hypothesis H1 that better the service quality better would be the customer satisfaction. It also confirms hypothesis H2 that higher the customer satisfaction better would be the customer loyalty. The result also indicates that there is a stronger relationship between responsiveness and service quality rather than with appeal. It is followed closely with assurance. Competence is the next important indicator of service quality. This indicates that the face value of employees doesn't impress customers but efficiency and empathy is a big forte for service quality.

5. Conclusion

5.1 Discussion on Findings and Implications

The experience gained by customers during service encounters is very crucial. Consumers' evaluations

253

of the quality of service delivery are substantially predicated on those consumption experiences, especially in the particular circumstances of retailing, where concrete product and abstract service are consumed simultaneously (Gu¨rbu¨z, 2008).

This study intends to identify and validate key constructs underling positive service encounter and its results thereof. It aims to investigate how positive service encounter through good service quality effect customer satisfaction and how customer satisfaction in turn combines with customer loyalty. The constructs were identified based on a thorough review of literature. Data gathered from 230 retail customers has been analyzed by structural equation modelling, to trace the path relationships among these three constructs, as they are the resultants of positive service encounter over time. Indices measuring goodness-of-fit of the resultant model to the data, and other statistical tests, indicated strong links among all pair of model constructs. Specifically, there was a positive and significant relationship between customer satisfaction and customer loyalty.

In order to understand service quality various measures were considered. Out of four measures, responsiveness shows maximum of 94 percent variance to capture service quality. It is followed closely by assurance showing 91 percent variance. Competence captures 85 percent variance while appearance captures only 73 percent variance of service quality. This clearly brings out the role of employee behavior in service industry where appearance does not always spell efficiency and quality.

The empirical findings suggest several important academic and practical contributions alongwith several applications for the research. Its academic contribution is to offer a significant advance to the current literature of service encounter by affording an integrative framework to thoroughly understand how service quality can be translated into an array of actionable customers' actions.

The findings contribute to an increased importance of service encounter in understanding customers' loyalty. First, we explore the nature of service encounter, provide a clear conceptualization of the construct, and then develop a conceptual model with three behavioral components, namely, service quality, customer loyalty and customer satisfaction. Though some of the ideas expressed in this conceptual model may be familiar to marketers, its value is in integrating these various notions to provide a more comprehensive and holistic picture of service encounter in a retail context. Second, it provides empirical evidence on the testable scales that are both reliable and valid. This gives a new theoretical insight into how service encounter be understood. The conceptualization and empirical findings are encouraging. It provides a useful foundation on which further theoretical and empirical research of CRM can be built.

From a management perspective, it provides guidance for retailers in terms of the appropriateness of the tools and strategies they use to enhance customer loyalty. More specifically, the mediation analysis helps firms identify those situations in which the link between satisfaction and loyalty is particularly strong and therefore in which investments in certain variables offer particular promise for retaining customers. For managers paramount importance is maintaining customer loyalty to make the firm become indispensable to customers (Vandermerwe, 2004) as switching costs then become significant to

254

customers (Burnham *et al.*, 2003). Marketing practitioners should help spread the virtues of being truly customer-centric via internal marketing efforts. Frontline employees should be empowered so that they can have latitude over their service activities and abilities to address specific customer needs to act in a fully customer-centric manner. Moreover, proactive sharing on customer knowledge should be instigated to leverage the value of learnt customer preferences and needs. Furthermore, top management may use this framework to develop relevant and effective marketing strategies and tactics. Functional managers can also use the framework to set clear policies that develop and consider service encounter as a necessary and essential business process. A deeper understanding of the interactions among service quality, satisfaction and value should go a long way in enabling more effective management in the service sector.

The result of the iterative instrument development for understanding the correlates of service encounter is a set of reliable, valid, and unidimensional measurements that can be subsequently used in different contexts to refine or extend conceptualization and measurements or to test various theoretical models, paving the way for further relationships understandings.

5.2 Limitations and Direction for Future Research

This study is not without its limitations. The main limitation is the geographical extent of the survey. The present findings are therefore indicative rather than conclusive. Next, this study has been done in the context of retail in Indian cities. Therefore, as often shown in this kind of research, there may be several possible problems related to cross-national or cultural research. Also, there exists some possibility of response biases occurring due to differences in perception, attitude, and behavior.

The retail outlets chosen are specifically related to fashion apparel and accessories. Further research possibility lie in other type of retail outlets. Also, future research is needed to investigate the causal relationship between service quality and customer loyalty in different service settings. In our study, it was found that service quality strongly influences customer satisfaction resulting in customer loyalty. In service settings with high brand equity the reverse causality can also be tested between these variables. The research can also be extended to understand further implications of customer loyalty in the service settings.

References

Adsit, D. J., London, M., Crom S., & Jones, D. (1996). Relationships between employee attitudes, customer satisfaction and departmental performance. *Journal of Management Development, 15*(1), 62-75.

Ahire, S. L., Golhar, D. Y., & Waller, M. A. (1996). Development and Validation of TQM Implementation Constructs. *Decision Sciences, 27*(1), 25-26.

Berry, L. L., Parasuraman, A., & Zeithaml, V. A. (1994). Improving service quality in America: lessons learned. *Academy of Management Executive, 8*(2), 32-45.

Bitner, M. J., & Hubert, A. R. (1994). Encounter satisfaction versus overall satisfaction versus quality.

In R. T. Rust, & R. L. Oliver (Eds), *Service Quality: New Directions in Theory and Practice* (pp. 72-94). Sage, London.

Bitner, M. J., Booms, B. H., & Tetreault, M. S. (1990). The service encounter: Diagnosing favorable and unfavorable incidents. *Journal of Marketi*ng, *54,* 71-84.

Bollen, K. A., & Long, J. S. (1993). *Testing Structural Equation Models.* Sage: Newsbury Park, CA.

Bolton, R. (1998). A dynamic model of the duration of the customer's relationship with a continuous service provider: the role of satisfaction. *Marketing Science, 17*(1), 45-65.

Bolton, R. N., & Drew, J. H. (1991). A Multistage Model of Customers' assessment of service Quality and Value. *Journal of Consumer Research, 17*(March), 375-384.

Burnham, T. A., Frels, J. K., & Mahajan, V. (2003). Consumer switching costs: A typology, antecedents, and consequences. *Journal of the Academy of Marketing Science, 31*(2), 109-26.

Carlzon, J. (1987). *Moments of Truth*. Ballinger, Cambridge, MA.

Carmines, E. G., & Zeller, R. A. (1979). Reliability and Validity Assesment. Sage University Paper Series on Quantitative Applications in the Social sciences, 07-017. Sage Publications, Newbury Park, London.

Carr, A. S., & Pearson, J. N. (2002). The impact of purchasing and supplier involvement on strategic purchasing and its impact on firm's performance. *International Journal of Operations and Production Management, 22*(9), 1032-1053.

Churchill, G. A. (1987). *Marketing Research: Methodological Foundations* (4th ed). The Dryden Press, Chicago, IL.

Cronin, J. J., Brady, M. K., & Hult, G. T. M. (2000). Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments. *Journal of Retailing, 76*(2), 193-218.

Cronin, J. J. Jr., & Taylor, S. A. (1992). SERVPERF versus SERVQUAL: reconciling performance-based and perception-minus-expectations measurement of service quality. *Journal of Marketing, 58*(1), 15-31.

Czepiel, J. A., Solomon, M. R., Suprenant, C. F., & Gutman, E. G. (1985). Service encounters: an overview. In J. A. Czepiel, M. R. Solomon, & C. F. Suprenant (Ed.), *The Service Encounter: Managing Employee/Customer Interaction in Service Businesses* (pp. 3-15). Lexington Books, Toronto.

Dabholkar, P. A., Shepherd, C. D., & Thorpe, D. I. (2000). A comprehensive framework for service quality: An investigation of critical conceptual and measurement issues through a longitudinal study. *Journal of Retailing, 76*(2), 139-173.

Danaher, P. J., & Haddrell, V. (1996). A comparison of question scales used for measuring customer satisfaction. *International Journal of Service Industry Management, 7*(4), 4-26.

Danaher, P. J., & Rust, R. T. (1994). Indirect marketing benefits from service quality. Owen Graduate School of Management, Vanderbilt University, Nashville, TN.

De Ruyter, K., Wetzels, M., & van Birgelen, M. (1999). How do customers react to critical service encounters? A cross-sectional perspective. *Total Quality Management, 10*(8), 1131-1145.

Ekinci, Y., Dawes, P. L., & Massey, G. R. (2008). An extended model of the antecedents and consequences of consumer satisfaction for hospitality services. *European Journal of Marketing, 42*(1/2), 35-68.

Farrell, A. M., Souchon, A. L., & Durden, G. R. (2001). Service encounter conceptualization: Employees' service behaviours and customers' service quality perceptions. *Journal of Marketing Management, 17*(5/6), 577-593.

Ferna´ndez-Gonza´lez A. J., & Prado, J. C. (2007). Measurement and analysis of customer satisfaction: Company practices in Spain and Portugal. *International Journal of Productivity and Performance Management, 56*(5/6), 500-517.

File, K. M., Cermak, D. S. P., & Prince, R. A. (1994). Word-of-mouth effects in professional services buyer behavior. *Service Industries Journal, 14*(July), 301-314.

Gable, M., Fiorito, S. S., & Topol, M. T. (2008). An empirical analysis of the components of retailer customer loyalty programs. *International Journal of Retail & Distribution Management, 36*(1), 32-49.

Gilbert, G. R., & Veloutsou, C. (2006). A cross-industry comparison of customer satisfaction. *Journal of Services Marketing, 20*(5), 298-308.

Gremler, D. D., & Brown, S. W. (1996). Service Loyalty: Its nature, importance and implications. In B. Edvardsson, S. W. Brown, R. Johnston, & E. E. Scheuing. (Eds), *Proceedings American Marketing Association* (pp. 171-180).

Grigouridis, E., & Siskos, Y. (2002). Preference disaggregation for measuring and analyzing customer satisfaction: The MUSA method. *European Journal of Operational Research, 143,* 148-170.

Gu¨rbu¨z, E. (2008). Retail store branding in Turkey: Its effect on perceived quality, satisfaction and loyalty. *EuroMed Journal of Business, 3*(3), 286-304.

Jamal, A., & Naser, K. (2002). Customer satisfaction and retail banking: an assessment of some of the key antecedents of customer satisfaction in retail banking. *International Journal of Bank Marketing, 20*(4), 146-160.

Jones, T. O., & Sasser, W. E. Jr. (1995). Why satisfied customers defect. *Harvard Business Review, 73,* November-December, 88-99.

Kelly, S., & Davis, M. A. (1994). Antecedents to customer expectations for service recovery. *Journal of the Academy of Marketing Science, 22,* 52-61.

Kotler, P. (1997). *Marketing Management: Analysis, Planning, Implementation, and Control* (9th ed.). Prentice-Hall, Upper Saddle River, NJ.

Narayandas, N. (1997). Measuring and managing the consequences of customer loyalty: An empirical investigation. Harvard Business School, Cambridge.

Nunnally, J. C. (1976). *Psychometric theory* (2nd ed). New York: McGraw-Hill.

Paolo Guenzi, Michael D. Johnson, & Sandro C. (2009). A comprehensive model of customer trust in two retail stores. *Journal of Service Management, 20*(3), 290-316.

Paradise-Tornow. (1990). Management effectiveness, service quality, and organizational performance in banks. *Human Resource Planning, 14,* 129-139.

Parasuraman, A., Zeithaml, V., & Berry, L. (1991a). Understanding customer expectations of service. *Sloan Management Review, 39*(Spring), 39-48.

Parasuraman, A., Zeithaml, V. A., & Berry, L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing, 49,* 41-50.

Parasuraman, A., Zeithaml, V. A., & Berry, L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing, 64*(1), 12-40.

Parthasarathy, M., Stansifer, M. L., & Kumra, R. (2010). A longitudinal exploratory study of changing perceptions towards an iconic brand in a developing country. *Journal of Indian Business Research, 2*(3), 138-152.

Patterson, P. G., & Mattila, A. S. (2008). An examination of the impact of cultural orientation and familiarity in service encounter evaluations. *International Journal of Service Industry Management, 19*(5), 662-681.

Reichheld, F. F. (1996). *The Loyalty Effect*. Harvard Business School Press, Boston, MA.

Reichheld, F. F., & Earl Sasser, W. Jr. (1990). Zero defections: quality comes to services. *Harvard Business Review*, 68(5), 105-111.

Rust, R. T., & Oliver, R. L. (1994). Service quality: insights and managerial implications from the frontier. In Rust, R. T., & Oliver, R. L. (Eds), *Service Quality: New Directions in Theory and Practice* (pp. 241-268).

Rust, R. T., Zeithaml, V. A., & Lemon, K. N. (2000). *Driving Customer Equity: How Customer Lifetime Value is Reshaping Corporate Strategy*. The Free Press, New York.

Shostack, G. L. (1985). Planning the Service Encounter. In J. A. Czipiel, M. R. Soloman, & C. F Suprenant (Eds.), *The Service Encounter: Managing Employee/Customer Interaction in the Service Business* (pp.243-263). Lexington Books, Lexington, MA.

Siu, N. Y. M., & Cheung, J. T. (2001). A Measure of Retail Service Quality. *Marketing Intelligence Planning, 19*(2), 88-96.

Sivadas, E., & Baker-Prewitt, J. L. (2000). *International Journal of Retail & Distribution Management, 28*(2), 73-82.

Soderlund, M., & Rosengren, S. (2008). Revisiting the smiling service worker and customer satisfaction. *International Journal of Service Industry Management, 19*(5), 552-574.

Specht, N., Fichtel, S., & Meyer, A. (2007). Perception and attribution of employees' effort and abilities: The impact on customer encounter satisfaction. *International Journal of Service Industry Management*, 18(5), 534-554.

Vandermerwe, S. (2004). Achieving deep customer focus. *MIT Sloan Management Review, 45*(3),

26-34.

Wagar, K. (2008). Exploring tools for learning about customers in a service setting. *International Journal of Service Industry Management, 19*(5), 596-620.

Walsh, G., Evanschitzky, H., & Wunderlich, M. (2008). Identification and analysis of moderator variables-Investigating the customer satisfaction-loyalty link. *European Journal of Marketing, 42*(9/10), 977-1004.

Webster, F. W. (1994). Executing the new marketing concept. *Marketing Management, 3*(1), 9-16.

Westbrook, R. A. (1981). Sources of consumer satisfaction with retail outlets. *Journal of Retailing, 57,* 68-85.

Westbrook, R. A. (1987). Product/consumption-based affective responses and post-purchase processes. *Journal of Marketing Research, 24*(3), 258-270.

Winsted, K. F. (2000). Service behaviours that lead to satisfied customers. *European Journal of Marketing, 34*(3/4), 399-417.

Woodruff, R. B. (1997). Customer value: The next source for competitive advantage. *Journal of the Academy of Marketing Science, 25*(2), Spring, 139-153.

Wong, A., & Sohal, A. (2003). A critical incident approach to the examination of customer relationship management in a retail chain: an exploratory study. *Qualitative Market Research: An International Journal, 6*(4), 248-262.

Yap, K. B., & Sweeney, J. C. (2007). Zone-of-tolerance moderates the service quality-outcome relationship. *Journal of Services Marketing, 21*(2), 137–148.

Yoon, M. H., Seo, J. H., & Yoon, T. S. (2004). Effects of contact employee supports on critical employee responses and customer service evaluation. *Journal of Services Marketing, 18*(5), 395-412.

Zeithaml, V., Berry, L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing, 60*(2), 31-46.

Zeithaml, V. A., & Bitner, M. J. (2003). *Service Marketing* (pp. 99). Tata McGraw-Hill, New York.

Zeithaml, V. A., Berry, L., & Parasuraman, A. (1985). Communication and control processes in the delivery of service quality. *Journal of Marketing, 50*(1), 35-48.

Appendix 1

S. No.	Items	Source
1.	Employees are neat in appearance.	Adapted from Parsuraman *et al.*, 1985
2.	The employees are friendly.	Adapted from Parsuraman *et al.*, 1985
3.	The employees give us individual attention	Adapted from Parsuraman *et al.*, 1985
4.	The employees give us personal attention.	Adapted from Parsuraman *et al.*, 1985
5.	Billing is quick at payment counter.	Adapted from Parsuraman *et al.*, 1985

6.	Employees help in finding out the availability of unavailable products at its different outlets.	Adapted from Parsuraman *et al.*, 1985
7.	Employees understand my specific needs of purchase.	Adapted from Parsuraman *et al.*, 1985
8.	The employees are willing to help us.	Adapted from Westbrook, 1981; Kelly and Davis, 1994
9.	The employees have the knowledge to answer my questions	Adapted from Parsuraman *et al.*, 1985
10.	The employees listen patiently to our complaints.	Adapted from Parsuraman *et al.*, 1985
11.	Employees show readiness to respond to our requests.	Adapted from Westbrook, 1981; Kelly and Davis, 1994
12.	Employees handle my complaints immediately.	Adapted from Parsuraman *et al.*, 1985
13.	The employees properly handle any problems that arise.	Adapted from Parsuraman *et al.*, 1985
14.	Employees are never too busy to respond to requests.	Adapted from Parsuraman *et al.*, 1985
15.	The employees provide services as promised.	Adapted from Parsuraman *et al.*, 1985
16.	Employees remember my tastes & preference when I visit the outlet again.	Adapted from Westbrook, 1981; Kelly and Davis, 1994
17.	Employees perform the service right, the first time	Adapted from Westbrook, 1981; Kelly and Davis, 1994
18.	Employees show sincere interests in solving my problem.	Adapted from Westbrook, 1981; Kelly and Davis, 1994
19.	Employees are consistently courteous.	Adapted from Westbrook, 1981; Kelly and Davis, 1994
20.	Employees give me prompt service.	Adapted from Westbrook, 1981; Kelly and Davis, 1994
21.	Employees have my best interests at heart.	Adapted from Westbrook, 1981; Kelly and Davis, 1994
22.	Employees comply with my requests.	Adapted from Westbrook, 1981; Kelly and Davis, 1994
23.	Employees are very polite to me.	Adapted from Westbrook, 1981; Kelly and Davis, 1994
24.	Employees instil confidence in us.	Adapted from Parsuraman *et al.*, 1985
25.	Employees care about my interests	From Westbrook, 1981; Kelly and Davis, 1994
26.	This retail store is my first choice when I need to shop.	Adapted from Bitnner & Hubbert, 1994
27.	In general, I am satisfied with this store.	Adapted from Bitnner & Hubbert, 1994
28.	In general, I like buying from here.	Adapted from Bitnner & Hubbert, 1994

29.	My shopping needs are satisfied here.	Adapted from Bitnner & Hubbert, 1994
30.	I never had a bad experience of shopping at this store.	Adapted from Bitnner & Hubbert, 1994
31.	I am satisfied with the attention given by the employees here.	Adapted from Bitnner & Hubbert, 1994
32.	I intend to buy additional items from this outlet.	Adapted from Narayandas,1997
33.	The employees willingly handle my returns and exchange.	Adapted from Narayandas,1997
34.	I intend to repeat my visit to this outlet.	Adapted from Gremeler & Brown, 1996
35.	I doubt that I would switch to other outlet.	Adapted from Gremeler & Brown, 1996
36.	I say positive things about this retail outlet.	Adapted from Parsuraman *et al.*, 1985
37.	I would encourage my friends and relatives to purchase from here.	Adapted from Parsuraman *et al.*, 1985
38.	I have already recommended this retail outlet to my friends & relatives.	Adapted from Westbrook,1987
39.	Overall, the service quality of this outlet is excellent	Adapted from Parsuraman *et al.*, 1985
40.	Overall, this outlet comes up to my expectations of what makes a good retail outlet.	Adapted from Parsuraman *et al.*, 1985