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### Customer Perception Towards Service Encounters and its Impact on Customer Loyalty – An Empirical Study

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#### ABSTRACT

**Purpose:** The current study explored the perception about the service encounter of organized retail outlets of the customers from Trichy, Thanjavur, Chennai and Hosur.

**Methodology:** The study is based on the scale development and validation. “Outcomes of Service Encounter Quality in a Business-to-Business Context” developed by Chanaka Jayawardhana (2007), and the researcher used the instrument to analyse the perception and customer satisfaction regarding the retailed outlets. A total of 250 customers were selected as respondents using stratified random sampling techniques has been used to collect data in and around of Trichy, Chennai, Thanjavur and Hosur.

**Findings:** It was found that there is a significant positive relationship with the customers and they are satisfied with their brands (Jockey, Van Heusen, Pepe Jeans, Levis). Through regression, it can be concluded that customer service encounter of organized retail outlets has a positive approach towards customer satisfaction.

**Significance:** The finding will provide appropriate measure for the literate customers by realizing their personality importance and satisfying it by the retailed outlets. The study’s finding will significantly help the customers and their satisfaction in branded outlets in their region.

#### 1. INTRODUCTION

The branded retail outlet is one of the fastest growing sectors in the economy. Indian retail has grown both in size and volume. The change in this retails of brand results in a significant shift in the consumer behavior. This shift has created a demand to adopt innovation of offering different values to the customers.

This study explores the factors that determining the satisfaction of the retail customers. Descriptive statistics such as percentage analysis and the weighted average and chi-square test were used to analyse and interpret the data. The results of the findings suggest the marketing strategies of retailers enhancing the retail business values and sales (Basant Kumar, 2015). According to Isabelle M. Nilsson, Oleg A. Smirnov 2016, When there exist two outlets in the same region, there arises a competition. Various simulation experiments give information about its usefulness and is implemented to competing retails chains in two retail sectors. An important role in delivering customer satisfaction results in the analysis of caring, solving of problem, committed and helpful salesmen play. Hence to attain customer satisfaction delivering skill is most important. If the service is good it will undoubtedly lead to customer satisfaction. This will help in maintaining the customer loyalty (Komal Chopra 2014).

The innovation in the brand helps us to maintain competitive advantage which in turn changes the service providers and retail brand users, there also exist the challenge of sustaining the loyalty of brand by their experience and there exist the some of the positive aspect to the retail marketplace. (Peter Jones, Daphne Comfort, Colin Clarke-Hill, David Hillier, 2010). When there exist the positive dimensions in personality, there exist a stronger scoring of customers which is neither high rather low in the fields of extraversion, openness, agreeableness and conscientiousness. The interaction between the store, brand personality and consumer personality helped us to know about the customer. (Ulrich R. Orth, Yonca Limon, Gregory Rose, 2009). We found that the retailers are crucial factor that moderated the evaluation of retailed products for promoting vice products which only act as the good outlets for promoting products. (Brenna Ellison, 2015). The service encounter has an impact on customer satisfaction which examines the burstout symptoms and service performance level. (Magnus Soderlund., 2016).

There had a suggestion to have an interactions with the customers and the service employees of service delivery routinely. An important issue for service organization which influence the customer satisfaction and loyalty is Employee-customer relationship (Yim et al, 2008). Customer perception has a positively influence on judgements of the customers about the service and their service relationship( Gremler and Gwinner,2008). In developing the customer relationship, a service and the employee's interaction with a customer is much more important in invoking the impression of the customer in the initial stage and there by maintaining the interaction. (Bitner 1995).

## 2. PROBLEM STATEMENT

A long stream of research has been done in the field of brand equity (Leuthesser, 1996) and little attention has been paid. However, retailers are actors since they bridge the gap between the manufacturers and consumers (Baldauf et al. 2009). The main objective is to offer a proper definition of retailer brand equity from the view of consumer's perspective. (Julien Troiville, Gerard Cliquet, 2015).

The co-creation and the service encounter concept has been invoked after the analysis of the report of locus *Giesbrecht, T., Schwabe, G., and Schenk, B. (2016)* which give the information about the value co-creation that gains more interest in the customer satisfaction, mainly in research that was handled in marketing place and service sector and service sciences. The service encounter think lets concept has been followed in order, to overcome deficiencies and to empower service opportunities. The techniques of improving the service encounter think lets will enhance the service providers to transform the customer satisfaction that

has been enabled by IT and existing advisory support with collaborative work environment, with customers and can gains the supporting information systems to enhance new ideas.

It also compromises the equity of the customer which helps to analyse the experience encountered by the service which in turn complies the satisfaction attained by the customers and brand loyalty through the service encounter. The physical environment of the service and service providers and employee engagement are the main factors for customer satisfaction and loyalty toward the brand. (Ipkin Anthony Wong, 2012).

### **3. REVIEW OF LITERATURE**

Customer satisfaction in branded retailed outlets is the main motive of the paper is to determine the designing programs of market which will lead to premier service to the customers. Enhancement in service undoubtedly leads to the enhancement of pleasure of customers for the service provided by the providers. This will also help the retailers to maintain the loyalty towards the brand by the customers. (Komal Chopra 2014). On the other hand, emerging trends and development of consumer brand relationship, has been noticed by their stores in their region. The repeated innovation in the brand is helpful to maintain advantage by analysing the competitive and this is increased which totally changes the relationship between service providers and customers. The challenges emerged in consistence maintenance is the experience and satisfaction towards the brand - Peter Jones, (2010).

### **4. TASK RELATED ASPECTS**

This factor examines whether the service providers are efficient in their job, whether they satisfy the customer needs. On the other hand it also involves the understanding ability of the customers by the service providers. It also examines the necessary skills required for the job who provides service and also gives the information about the interactive skills corresponding to answer the questions raised by the customers and appreciation, willingness, considering the customer needs which performs the skills related to task in the minds of the customer.

### **5. PERSONAL CONNECTION**

This gives the clear information about how the personal interaction with the customer regarding personal likes and dislike, opinion about the product, personal issues and discussion about the state of health and products and soon.

### **6. PROFESSIONALISM**

This factor focuses on the service providers whether they are pushy towards the product, not being condensing, their language towards the customer and curiosity about the product. It aims on showing the friendliness towards the customer, being informative in delivering the message about the product.

### **7. OBJECTIVES OF RESEARCH AND THEIR HYPOTHESIS**

The objective of study is to analyze the perception of the customer and the level of satisfaction towards the organized retail outlets.. The study has the following objectives.

- To study the factors determining service encounters (communication, way of behavior, knowledge) influencing the customer satisfaction of retail outlets.
- To study the customer satisfaction towards organized retail brand.

## 8. METHODOLOGY

The study's participants were 250 customers surveyed at the retail malls and showrooms of Trichy, Thanjavur, Chennai and Hosur. The customers were made to leave the answer for the questions related to their customer satisfaction and the perception including their expectations, information knowledge their interest provided with additional information like educational qualification, age, gender and sector of work.

### Measures

The study is based on the scale development and validation. "Outcomes of Service Encounter Quality in a Business-to-Business Context" developed by Chanaka Jayawardhana (), and the researcher used the instrument to analyse the perception and customer satisfaction regarding the retailed outlets

### Result and Discussions

The above table describes that 64.8 % male, and 35.2 % were female customers of which the age group of 18 – 21 were 8% and 22-25 were 56% and above 25years were 36% and the UG graduates were 43.6 % and PG graduates were 53.6 % and others were 2.8%. The rural customers were 18.8% and urban were 72% and semi-urban were 9.2% of which 56% working in private sectors and 23.6% working in public sectors and 62.8% were single and 37.2% were married.

**Table 1**

<i>Gender</i>	<i>%</i>	<i>Age</i>	<i>%</i>	<i>Qualification</i>	<i>%</i>	<i>Domicile</i>	<i>%</i>	<i>Occupation</i>	<i>%</i>	<i>Marital status</i>	<i>%</i>
Male	64.8	18 - 21	8	UG	43.6	Rural	18.8	Private	56	Single	62.8
Female	35.2	22 - 25	56	PG	53.6	Urban	72	Public	23.6	Married	37.2
		25 Above	36	Others	2.8	Semi Urban	9.2	Government	10		
								Business	10.4		
Total	100	Total	100	Total	100	Total	100	Total	100	Total	100

**Research Question 1:** What is the relationship between the perception of customers towards the factors determining the satisfaction of organized retail outlets based on service encounters?

**Table 2**

### Service encounters factors determining customer satisfaction

<i>Factors</i>	<i>Friedman Rank</i>	<i>Rank</i>	<i>Test Statistics</i>
Task Perfection of sales people	8.99	1	Chi-Square: 18.63 Df: 8 Sig: 0.00
Personal Connection of sales people	8	2	
Word of Mouth	5.45	5	
Professionalism	2.36	9	
Civility	2.6	7	
Friendliness	2.66	6	
Competence	2.42	8	

Friedman’s test is a non-parametric test for finding differences in treatments across multiple attempts. Nonparametric means the test doesn’t assume your data comes from a particular distribution (like the normal distribution). Basically, it’s used in place of the ANOVA test and from the above table it relates the relationship between the service encounter factors to the customers and their ranks based on the test, in which Task perfection of sales people (8.99) gets the 1<sup>st</sup> rank and Personal Connection of sales people (8.00) ranked 2<sup>nd</sup> and Word of Mouth (5.45) ranked 3<sup>rd</sup> as service encounter.

**Table 3**  
**Correlation Analysis for factors determining Service encounters of retail outlets and the level of satisfaction and the customer loyalty**

<i>Factors</i>	1	2	3	4	5	6	7	8	9
Task Perfection of sales people	1	.464**	.132*	.252**	.072	.383**	.093	.230**	.333**
Personal Connection of sales people	.464**	1	.152*	.242**	.086	.467**	.076	.210**	.292**
Word of Mouth	.132*	.152*	1	.182**	.065	.115	.078	.072	.238**
Professionalism	.383**	.467**	.115	.252**	.101	1	.142*	.251**	.313**
Civility	.093	.076	.078	.065	.046	.142*	1	.049	.156*
Friendliness	.230**	.210**	.072	.252**	.089	.251**	.049	1	.289**
Competence	.333**	.292**	.238**	.262**	.108	.313**	.156*	.289**	1
Satisfaction	.252**	.242**	.182**	1	.188**	.252**	.065	.252**	.262**
Customer Loyalty	.072	.086	.065	.188**	1	.101	.046	.089	.108

\*\*Correlation is significant at the 0.01 level (2-tailed),

\*Correlation is significant at the 0.05 level (2-tailed)

From the Table 3, it is clear that there is a significant positive correlation between factors determining service encounter of customer satisfaction (.252 \*\*)

**Table 4**  
**Regression Analysis for factors determining Service encounters of retail outlets and the level of satisfaction**

<i>Dependent Factor</i>	<i>Independent Factor</i>	R	R <sup>2</sup>	<i>Adjusted R<sup>2</sup></i>	<i>Standard Error</i>	<i>Beta</i>	<i>t</i>	<i>F</i>	<i>Significance</i>
Customer Satisfaction	Task Perfection of sales people	0.252	0.064	0.060	0.017	0.252	4.10	16.819	0.000
	Personal Connection of sales people	0.242	0.058	0.055	0.020	0.242	3.92	15.365	0.000
	Professionalism	0.252	0.064	0.060	0.082	0.252	4.10	16.844	0.000
	Civility	0.065	0.004	0.000	0.037	0.065	1.02	1.042	0.308
	Friendliness	0.252	0.063	0.060	0.096	0.252	4.09	16.762	0.000
	Competence	0.262	0.069	0.065	0.098	0.262	4.28	18.351	0.000

From the tabulation, the value of R gives information about simple correlation. The correlation value provides information about the level of correlation which has been noted as high between Competence ( $r = 0.262$ ) and Professionalism, Friendliness, Task perfection of sales people ( $r = 0.252$ ) and the level of customer satisfaction. There exist a good relationship between service encounter factors and the level of customer satisfaction.

The indication of  $R^2$  gives information about the total variation of the independent variables (Attributes of the service encounters) towards the dependent variable (Customer Satisfaction) and it is noted that 6.4% can be explained by task perfection of sales people, 5.8% by personal connection of sales people and 6.4% by professionalism, 6.3% by the friendliness and 6.9% by good influence of sales people influence the level of customer satisfaction.

It is concluded that significant prediction of results of service encounter through the study of factors. All the factors except the civility are significant based on the Beta coefficients of the service encounter factors competence (B = .262), Friendliness (B = .252), Professionalism (B = .252) and Task perfection of the sale people (B = .252) were statistically significant.

**Therefore, the regression equation is,**

$$\text{Customer Satisfaction} = C + .252 (\text{Task perfection of sales people}) + .242 (\text{Personal Connection of sales people}) + .252 (\text{professionalism}) + .065 (\text{Civility}) + .252 (\text{Friendliness}) + .262 (\text{Competence})$$

**Table 5**  
**Regression Analysis for Service Encounter Factors and customer loyalty**

<i>Dependent Factor</i>	<i>Independent Factor</i>	R	R <sup>2</sup>	<i>Adjusted R<sup>2</sup></i>	<i>Standard Error</i>	<i>Beta</i>	<i>t</i>	<i>f</i>	<i>Significance</i>
Customer Loyalty	Task Perfection of sales people	0.072	0.005	0.001	0.037	0.072	1.13	1.295	0.256
	Personal Connection of sales people	0.086	0.007	0.003	0.045	0.086	1.36	1.852	0.175
	Professionalism	0.101	0.01	0.006	0.183	0.101	1.59	2.540	0.112
	Civility	0.046	0.002	-0.002	0.080	0.046	0.71	0.518	0.473
	Friendliness	0.089	0.008	0.004	0.217	0.089	1.41	1.994	0.159
	Competence	0.108	0.012	0.008	0.221	0.108	1.70	2.196	0.089

From the tabulation, the value of R gives information about simple correlation. The correlation value provides information about the level of correlation which has been noted as high between Competence ( $r = 0.262$ ) and Professionalism, Friendliness, Task perfection of sales people ( $r = 0.252$ ) and the level of customer satisfaction. There exist a good relationship between service encounter factors and the level of customer loyalty.

The indication of  $R^2$  gives information about the total variation of the independent variables (Attributes of the service encounters) towards the dependent variable (Customer Loyalty) and it is noted that 6.4% can be explained by task perfection of sales people, 5.8% by personal connection of sales people and 6.4% by professionalism, 6.3% by the friendliness and 6.9% by good influence of sales people influence the level of customer loyalty.

It is concluded that significant prediction of results of service encounter through the study of factors. All the factors except the civility are significant based on the Beta coefficients of the service encounter factors competence (B = .108), Friendliness (B = .089), Professionalism (B = .101) and Task perfection of the sale people (B = .072) were statistically significant.

Therefore, the regression equation is,



Customer Loyalty = C + .072 (Task perfection of sales people) + .086( Personal Connection of sales people) + .101 (professionalism) + .046 (Civility) + .089 (Friendliness) + .108(Competence)

## 9. DISCUSSION AND CONCLUSION

The perception determination on service encounter and their influence on customer satisfaction is the most important factor in the retail outlets. It is concluded that there is a positive correlation between the various factors that determine service encounter of customer satisfaction and customer loyalty.

The regression analysis towards the customer loyalty shows that there exist positive aspect towards competence(0.108) and professionalism (0.101) and the results of calculated regression analysis towards the customer satisfaction has a positive aspect on competence (0.262), professionalism(0.252), friendliness (0.252), task perfection of sales people (0.252) and if the personal connection of sales people and civility is improved, it will improve the satisfaction of the customers and if the friendliness, personal connection of the sales people is improved then, the customer loyalty will be improved. Thus, the service encounter by the customer perception results in customer loyalty.

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