Influence of Service and Product Quality on Customer Retention

A Swedish grocery store

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Abstract

Title: Influence of service and product quality on customer retention, case of Swedish grocery store.
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Aim: The aim of this study is to examine and compare the importance of services and products in grocery store and to study the effects of services and products on customer retention.

Method: This study is quantitative and data is collected by conducting a survey. Primary data is collected through questionnaires by visiting the stores in two cities of Sweden, namely Bollnäs and Gävle. In order to study the importance of service and products, importance scale is used in the questionnaire. Comparative analysis is used to analyze the data.

Results & Conclusions: The results show that customers are more concerned about the quality of products rather than quality of services. Further, it is found that among all service elements, personal interaction is considered more important whereas, among products elements, quality of products has most influence on customer decisions. After the comparison of services and products, we found out that product quality influences customer retention to a greater extent.

Suggestions for future research: Research always continues and could be followed up with more perception dimensions either from customers’ perspectives or from managerial perspectives. Future research can be conducted to study managerial perception of service and product quality. Furthermore, future research can be conducted to find out other factors that determine customer retention. Customers from multiple stores and larger cities can also be the theme for future researches.

Contribution of the study: This study helps retail business to build strong customer base by focusing first on quality of products and then services. Further this helps firms to know how customer’s decision making is affected. Firms with limited resources can first focus on product improvement then on services.

Key words: Customer retention, Product quality, Service quality, Retail service quality scale, Products dimension, repurchases intention.
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Chapter 1

INTRODUCTION

In this chapter, the concepts of service quality and product quality are presented. The relation between service and product quality and customer retention are also discussed in the perspective of retail stores. Then measurement and importance of service and product quality are explained. Furthermore, the reason behind conducting such a study is discussed. Finally, the research purpose and research questions are presented.

1.1 Background

Organizations continuously strive to increase their customer base. They provide products and services to fulfill different needs of the customers. The focus is now moving from short-term satisfaction to long-term relationship between the firm and its customers (Grönroos, 2000). Finding new customers is important for a business, but equally important is keeping the old customers since many researchers found that focus on customer retention has resulted in economic benefits (Buttle, 2004; Dawkins and Reichheld, 1990).

With the change of time and situation, the scenario of business world is increasingly being competitive. On contrary, due to globalization and internationalization the competitiveness of business environment, either from national or international market, strongly motivates or develops the awareness about the consumer right along with their expectations and demands (Smith, 1989; Sellers, 1990). According to Berry (1986), it would be beneficial to categorize this concept into two identical terms as "goods" or "services"; however, in real life goods retailers still offer for some form of service in order to motivate and facilitate higher level of sale of goods leading to have the relative influence in customer retention.

Customer retention is considered to be the primary goal for organizations that practice relationship marketing (Coviello et al., 2002). Once a customer is retained it means that the amount of purchase grows which in turn reduces the customer replacement costs. Retained customers may pay higher prices and purchase regularly without any discount offers which is the tool used to acquire new customers (Ang & Butle, 2006). Interesting findings by Lindgreen, et al. (2000, p.295) state that “it can be up to ten times more expensive to gain new customer than to retain a customer and the cost of bringing new customer to the same level of
profitability as the lost one is up to 16 times more”. This emphasizes on the significance of customer retention and its desirable outcomes for organizations.

Customer retention and service quality have been studied by many researchers in various industries (Venetis and Ghauri, 2004; Ranaweera and Neely, 2003) and their results have shown positive relation between service quality and customer retention. It has been found that service quality boosts customer’s inclination to buy again, to become fewer prices sensitive, and to share with others their positive experiences (Bolton et al., 2000). Similarly, these findings can be applied in retail setting where in today’s competitive retail sector, retailers no longer will afford to dissatisfy their customers on services side. Moreover, the significance of product quality in retail sector should also not be overlooked because the higher the quality in relation to price, the higher the value for customer. Quality of product can be assessed from Garvin’s (1987) eight product quality dimensions i.e. performance of products, features of products, reliability and conformance of products, durability, serviceability, aesthetics, and perceived quality of products.

Both quality of services and products in retail sector are considered to be vital for survival and success of the firm. Highly intensified and competitive retail industry has compelled firms to pursue strategies which could yield higher value for customers. Many small retailers could not survive in market because large retailers provide greater value both from service quality and product quality perspectives (Clarke, 2000).

1.1.1 Measurement of service and product quality
Measurement of service quality and product quality are completely different because product has concrete characteristics as mentioned earlier the Garvin’s (1987) product quality dimensions such durability and performance. According to Helkkula A. (2011), service is considered as an experience which can be understood as a “hedonic impression” or as a “practical contact”. Here, he assumes “hedonic impression” as an imaginary world and “practical contact” for instance contains of observable facts or events. In other word, it is an intangible activity which is results at the point of sale and also when required by the consumer.

In general sense, product is a solid substance which is manufactured for sale. Marketing defines product as a thing that is offered to a market leading to satisfy a need and wants of a consumer. In retailing, products are termed as merchandise. A good or service that most
closely meets the requirements of a particular market and yields enough profit to justify its continued existence. (Business dictionary)

However, due to intangible feature of services it is difficult to measure as it is totally dependent on how one perceives certain service encounter. According to Douglas and Connor (2003), the intangible characteristics of services such heterogeneity, inseparability, perishability are critical in determining the quality of services from customer perspectives. The intangibility of services means there is no any physical product to see, to taste or smell. For example services provided by a telecommunication company whereas, in a retail store this characteristic is hard to notice as they are mainly focused on products. The second element of service is heterogeneity which means during the delivery of services it differs from one situation to another due to differences in human behavior. This element is quiet noticeable in retail setting, e.g. the salesperson in counter cannot have the same level of interaction with everyone or cannot offer 100% the same thing to all the customers because of the differences in human behavior (Beamish & Ashford, 2007). These elements of services make it difficult to measure service unlike products quality which is more objective like the number of defects etc. (Parasuraman et al., 1988).

1.1.2 Importance of service and product quality in grocery stores
Product and services were considered to be two different identical terms in past decades, however, the evolutionary chain of business world has made these two terms complementary to each other for any business house. Especially, in the emerging market for grocery chains or departmental stores the concept of providing service quality is significantly important together with the product quality. These two factors are very importantly viewed as a success factor for customer retention. Similarly, referring to the current situation, quality of the product perceived by the customers may be a complete combination of the actual quality of the product that customers purchase, and customers’ viewpoint of the overall quality of that firm where they purchase (Waller & Ahire, 1996). Therefore, based upon the nature of customer viewpoints and behaviors, quality of service is measured by the customer in terms of the “products” the customer purchase. Thus it is important for every organization, to determine what customers expect and then develop service products that meet or exceed those expectations and enables to have higher retention rate in future. Focusing on our case company, which is a rapidly growing grocery chain we consider that the degree of service and product quality is very high in terms of gaining the long term commitment from customer side
and helps the firm to maintain stronger relationship between company and customer. The development of the mutual understanding and creation of long term buyer-seller relationships (Wilson, 1995) is the key factor for maximizing customer loyalty.

Generally, grocery stores are designed with the self service facilities where customers are motivated to find the product that want to purchase. However, the prospective are changing and the customers are more or less influenced by the service along with the product quality. According to Kotler (1973), the buying environment is more specifically determined by the customers to make the purchase decision. He further states that the buying environment considers the service the store provides. The better understanding and the knowledge of maintaining service and product quality is always motivational for customer oriented firms like grocery store, supermarkets etc. in order to retain the number of loyal and new customers. According to Szymanski and Henard (2001), for any customer oriented firms, customer satisfaction is a key strategy for business success. Thus, we can find that there has also been several attempt to better understand and know the dynamics of the relationship between customer satisfaction and service quality on the impact of customer purchase intentions which has positive inclination towards gaining the higher number of retention rate (Cronin et al. 2000; Taylor, 1992; and Taylor and Baker, 1994).

1.2 Need for the study
The delivery of high quality services is considered to be profitable strategy for success in today’s highly competitive market so is the case for retail industry (Reichheld and Sasser, 1990). Its significance in the success of business can be assessed by the shift occurred in contemporary businesses concentration. Previously, businesses were focused only on product, however, today their focus is both on the quality of products and services (Gummesson, 1994). Retail stores main focus is on the quality of products but the way these products are delivered to the customers, the retail stores and its staff interact and communicate with the customers, these and many other features are included in the service category of retail stores.

Many studies have shown the importance of high quality services and high quality products to the success of business and the measurement of service quality in different models like SERVQUAL, SERVPERF and RSQS (retail service quality scale). It is also argued that those customers satisfied with service quality of the store are more likely to remain loyal to the store (Wong and Sohal, 2003). The higher the numbers of loyal customers the greater the
customer retention for a firm, thus prevailing studies have some supporting points for the positive relation between customer retention and store service quality.

Swedish food retailing industry has shown significant growth since 1991 (Statistics Sweden, 2011). It was composed of small and medium sized stores in the early days but now it is totally dominated by stores as COOP, and ICA. Grocery stores are facing intense competition therefore, it is crucial for them to gain better understanding of their customers so that they are attracted as well as maintained for long period (Carpenter & Moore, 2006). This competition has forced food retailers to think of ways to generate profit by differentiating their products and/or services from their competitors so that customers are retained to a greater level.

We consider the need to conduct such a study where we could compare the importance of service quality with that of product quality grocery stores from customer perspectives and to examine which of them has higher influence on customer purchase and repurchase decision. Various researches (Douglas and Connor, 2003; Carpenter and Moore, 2006; Wong and Sohal, 2003; Parasuraman et al. 1988) have focused only service quality and customer retention and service quality measurement tools but our focus is on service and product quality and their relative influence on customer retention.

1.3 Research Purpose
In our study, we aim to examine the extent to which product and service quality influence customer retention in food retailing. Service quality has been found having profound effects on long-term customer retention (Venetis & Ghauri, 2004). However, we are interested in finding whether it is service quality or product quality in food retailing that has greater effect on customer retention and influences customer to repurchase and keep them attached to a single brand/store.

The aim of the study is
“To examine and compare the importance of product quality and service quality in food retailing and their effect on customer retention”

1.4 Research Questions
- What is the importance of service quality for customers?
• Which product quality dimensions have greater influence on customer purchase decision?
• What are the effects of service quality and product quality on customer retention?

1.5 Delimitation of the study
This is a quantitative study limited to survey where data is collected through questionnaires. This study focuses on specific business sector which is retailing industry and in specific location, Sweden. A Swedish retail chain which is called COOP is selected as the case of our study. Further we assume that the branches of COOP all over Sweden provide the same products and services, therefore, our findings may be applicable for the customers of COOP. Our study is limited to only two cities of Sweden, namely Bollnäs and Gävle and may not be generalized for the rest of Swedish retail stores or those out of Sweden.

1.6 Disposition of the work
Chapter 1: Introduction
This chapter includes the concepts of service quality and product quality are presented. The relation between service and product quality and customer retention are also discussed in the perspective of retail stores. Then measurement and importance of service and product quality are explained. Furthermore, the reason behind conducting such a study is mentioned. Finally, aim of study and research questions is presented.

Chapter 2: Theoretical Framework
In this chapter we shed light on literature and concepts related to our topic. This discussion includes concepts like quality, and service and product quality. To make easily understandable various theories, we have put some figures which were developed by respective authors. The second important part is mentioning quality and its importance from product perspective and related literature on product quality. Finally we put together theories on customer retention and their relation with service quality and product quality.

Chapter 3: Research Methodology
Research philosophy, research strategy, sampling and data collection method are discussed in this chapter. Moreover, research philosophy is further described with its two different positions called ontology and epistemology. They are followed by research design and finally reliability, validity and generalizability of study is discussed.
Chapter 4: Empirical Findings
The fourth section starts by a brief introduction of the company whose customers are investigated. Then all the empirical findings are presented by the sequence of questions in the questionnaire. Empirical data is presented in the form of figures plus explanation.

Chapter 5: Analysis & Discussion
As its name implies this chapter contains the analysis of empirical data and other theories. It begins with the analysis of service quality where all its components are discussed and followed by discussion of product and its components. At the end, the importance of service quality and product quality and their respective influence on customer retention is analyzed.

Chapter 6: Conclusion
In the conclusion, we present the results of our findings and answer the research questions. Furthermore, the managerial, theoretical and social implications are discussed. Finally, suggestions for future research and reflections of author are mentioned.
Chapter 2  
LITERATURE REVIEW AND THEORETICAL FRAMEWORK

In this chapter we shed light on literature and concepts related to our topic. This discussion includes concepts like quality, and service and product quality. To make easily understandable various theories, we have put some figures which were developed by respective authors. The second important part is mentioning quality and its importance from product perspective and related literature on product quality. Finally we put together theories on customer retention and their relation with service quality and product quality.

2.1 Service Quality

Quality is defined in different perspectives, as Garvin (1987) explains quality from product perspective. The attribute possessed by the ingredients of a product defines its quality. Another widely recognized perspective is user perception of quality which is used in marketing. This approach is based on customer expectations from a product or service where it emphasizes more on user (Juran, 1974). Moreover, quality has been defined in a value creation approach which emphasizes on product or service performance in comparison with price (Feigenbaum, 1951). The same product with different prices in different locations may be perceived differently on quality basis because a lower price will yield lesser expectations from product thus resulting in an acceptable level of quality and vice versa.

Service quality is defined as “the global evaluation or attitude of overall excellence of services” (Parasuraman et al. 1985). Service quality is the difference between customer perceptions of how well the service meets customer expectations. As Nitecki and Hernon (2000), define service quality in terms of “meeting or exceeding customer expectations”. Unlike products quality, the quality of services cannot be measured objectively rather it is more a subjective term. Similar services with similar quality are perceived differently because it is totally dependent on personal perception of the service encounter. In order to understand well the quality of services, their determinants should be identified which could determine what the quality of service is for a customer (Parasuraman et al. 1985).

According to Grönroos (1984), quality of service as perceived by customer has three dimensions: functional (service delivery process), technical (the outcomes which are produced for the customer) and image (image of the company in the minds of customer). If we consider these perspectives in a retail setting, the functional dimension can be an example of how the
personnel of a retail store interact with the customer during their visit to the store. The technical side of services is the example of how well customer’s problems are solved or how well the complaints are handled.

It seems like European perspective has more dominant and influent role in the field of service quality management and measurement. Lehtinen and Lehtinen (1982) define service quality in three different aspects i.e. physical quality, interactive quality and corporate image quality. As its name implies physical quality relates to the tangible aspects of service whereas, interactive quality relates to the nature of interaction of services and focuses on the two way flow between service provider and the customer. The third characteristic is about the overall image of service provider in the mind of current and potential customers. As compared with the first two quality aspects, the last is more stable in the long term.

Another widely used service quality model is proposed by Parasuraman et al. (1985) which is named as SERVQUAL model for measuring service quality. He studied five different types of service as banking industry, credit card companies, motor repair and long-distance telecommunication. The five dimensions are reliability, responsiveness, assurance, empathy and tangible.

This model has been widely used in different industries for measuring service quality but also came under criticism by many writers because it neglected the technical side of services. The criticism is on that SERVQUAL model only focuses on service delivery process which is called as functional dimension of service quality, but it excluded the service encounter outcomes (technical dimension). The technical dimension or outcome means the core service provided by a service provider and also is the main motivating element e.g. haircut (Pollack, 2008).

The importance of corporate image has also been emphasized because customer comes with their earlier experiences and perception of the firm in any service encounter (Grönroos, 2001). Corporate image works with functional dimension to develop the overall service experience. A combine and comprehensive model was proposed by mixing functional dimensions of Parasuraman et al. (1985) and technical and corporate image of Grönroos (1984) and Lehtinen and Lehtinen (1982) to form more complete model of service quality (Kang & James, 2004).
However, service model developed by Kang and James (2004) were applied in telecommunication industry and there is no evidence if this model fits the service environment of retail. This model is suitable for purely service firms whereas, retail industry provides both services and products to their customers at the same time. Another study conducted by Finn and Lamb (1991) in order to test SERVQUAL model in retail stores. They concluded in order to study services of a retail store, SERVQUAL model is not a good fit. In addition, this cannot be applied for retail setting without modification. Therefore, the need to develop a specific service quality measurement tool resulted into development of Retail Service Quality Scale (RSQS) by Dabholkar et al. (1996).

2.2 Retail Service Quality Scale
Dabholkar et al. (1996) state that measures which are developed to study service quality of a purely service environment such SERVQUAL does not work when it comes to service quality for retail stores. Therefore, he came out with his model called the Retail Service Quality Scale (RSQS). This scale is capable of measuring five different dimensions of store service quality which is developed considering 28 items, 11 are taken from SERQUAL and remaining 11 items are discovered by qualitative research. The dimensions are namely as:

1. Physical aspects  
2. Reliability  
3. Personal interaction  
4. Problem solving  
5. Policy  

According to Dabholkar et al. (1996), the above service characteristics of retail store are structured hierarchically, where every element is further divided into more understandable features as shown in figure 1.
These dimensions are explained as following:

1. **Physical aspects** – Layout, comfort, aesthetics elements and style of the store are part of this dimension.


3. **Personal interaction** – the behavior of service personnel such being courteous, helpful, confidence and trust in customers.

4. **Problem solving** – helping customers in case of returns, exchanges and complaints.

5. **Policy** – rules and principles that guide organizations to operate such as convenient operating hours, availability of parking spaces and payment options.

For a retail store the physical features among others include equipment of store, materials associated with services of stores, convenience of store’s physical layouts. Physical features have been depicted as “servicescape” which is combination of service and landscape. This
includes features like noise, temperature, air quality, furnishing, signs, and symbols (Bitner, 1992). According to Kotler (1994), environment of store is important part of shopping experience which even can influence the customer decision whether to visit again.

Reliability of services in retail means keeping promises, provision of right services and availability of merchandise. Personal interaction dimension dictates the knowledge of employees, confidence, and providing prompt service, willing to help customers and handle customers on individual basis (Zeithaml, 1988). Personal interaction is of utmost important for retailer to maintain high quality of services and maintaining the customers satisfied. This will result in sense of personal attachment and personal feeling to the brand. Thus, an important factor for retail loyalty and customer retention is personal interaction and relationship between the retailer and its customers, between the salesperson and the customers (Macintosh, 1997).

Problem solving means the handling of complaints, returns and exchanges. Retailer’s willingness to act promptly at any service encounter and resolve customer’s problems sincerely are included under this feature (Mehrabian, 1974).

General policy it addresses the policy of retailers regarding the quality of merchandize, convenient operating hours and parking place in addition methods provided by retailers to make easier payment process. This can be done through supporting major credit cards. It also reflects norms and values of retailer, and its code of conduct. (Das et al. 2010).

RSQS has been used by researchers in different types of retailing stores. And this model has been validated in a retail store environment. In our study, we investigate and study services in retail store based on dimensions mentioned in RSQS because they are specifically developed for retail settings. As our study focuses both service and product quality so below we shed light on important concepts related to the quality of products and related theories.

2.3 Product quality
Product quality can also be defined as an extent to which a product succeeds to meet the needs of the customer (Lemming & Kasper, 1994). According to product based approach, the quality is the root of economics and the variation in quality of product are the reflection for differentiation in quality (Garvin, 1984). Product quality is one of the important tools to maintain the competitive advantage in market which is designed to undergo the product
development process to achieve the consumer satisfaction and upgrade the quality in performance (Benson et al., 1991; Flynn et al., 1994). To be more specific and precise, further study from different researcher shows that along with the competitive advantage the product quality is also a basis for strategic advantage, which implies that an enhanced performance can be determined when a product quality is improved (Daniel and Reitsperger, 1991 and Terziovski et al. 1999). Ultimately, this suggests that a real product quality is/should be visible in an improved quality performance (Dunk, 2002).

The study of a product quality and its extrinsic influential characteristic with reference to customer retention, the image of product itself is more essential than the physical quality of product (Shasharudin et al. , 2010). Moreover, they note in their findings that a better and a good customer relationship is stronger when there is a product awareness and these both factors are critically important for shaping the customer perception. According to Zeithaml (1981), search properties include such traits like color, style, price, fit, and smell. Here, search properties those characteristics of product and service attributes which can be easily compared and observed by the customers before they make the purchase of product or services. Moreover, he finds that products (e.g. goods) have more search qualities than services, with more experience and credence qualities. Here, credence properties are those characteristics of product and service attributes that cannot be differentiated even after the product, or service, has been purchased and consumed. Similarly, experience properties are those characteristics of product and service attributes, which can only be evaluated after purchase and use of the product, or the actual consumption of the service is done (Kenyon, Sen, 2012).

2.3.1 Product quality dimensions
There are eight different dimensions such as 1) performance 2) features 3) reliability 4) conformance 5) durability 6) serviceability 7) aesthetics and 8) perceived quality (Garvin, 1984, 1987). The brief illustration of each dimension is given in table 1:
Table 1: Garvin’s Eight Product Quality Dimensions

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>The primary operating characteristics of product.</td>
</tr>
<tr>
<td>Features</td>
<td>The secondary characteristics of a product that supplement its basic functioning.</td>
</tr>
<tr>
<td>Reliability</td>
<td>The product’s probability of failure-free performance over a specified period of time.</td>
</tr>
<tr>
<td>Conformance</td>
<td>The degree to which a product’s physical and performance characteristics meet design specification.</td>
</tr>
<tr>
<td>Durability</td>
<td>A measure of useful product life, i.e. the amount of use a customer gets from a product before it deteriorates or must be replaced</td>
</tr>
<tr>
<td>Serviceability</td>
<td>The ease, speed, courteous and competence of repair.</td>
</tr>
<tr>
<td>Aesthetics</td>
<td>How the product looks, feels, sounds, taste or smells, a matter of personal preferences.</td>
</tr>
<tr>
<td>Perceived quality</td>
<td>Quality based on image, brand name, or advertising rather than product attributes and of course, is subjectively assessed.</td>
</tr>
</tbody>
</table>

Source: (Rose and Nabil, 2002, pp.445)

According to Garvin (1987); quality is primarily stated as strategic question which governs or helps to control the development of product design together with its features or options. Every firm is objected towards achieving a world class performance, and for that they adopt a method and set the strategic objectives in order to improve the product, process and service quality (Adam, 1992). In addition, Hill (1994) states that product quality is significant factor for firm’s development and for gaining sustainable competitive advantage.

Moreover, Garvin forwards his view that the past experience with a firm and its product plays a vital role in maintaining the customer impressions about its products. He states that “high quality means pleasing consumers, not just protecting them from annoyances” (p. 104). He suggests that with respect to quality management and the related design of products or services, management needs to think strategically about quality, and focus on those
dimensions that support their strategic objectives and are interrelated to each other and influencing customers for its product and services. When an individual make a purchase decision, the primary objective begins with the motive of having a satisfaction from the product they purchase. This is also related to the character of “performance” proposed by Garvin from customer perspectives. Supporting to the given dimensions by Garvin, other several researchers have made the empirical investigations on it. For example; Stone-Romero et al. (1997) studies provide support to the multi-dimensional nature of product quality; Paulson-Gjerde and Slotnick (1997) also forwarded a multidimensional approach to study manufacturing quality; Ahire and Dreyfus (2000) find that the management of product design is equally important as the management of process quality; Sousa and Voss (2002) point out that future research should focus upon the fundamental nature of an organization’s products and use measures that capture the relevant dimensions for those products. Thus, we can assume that the Garvin’s proposed dimensions are a knowledgeable kit for studying a product quality.

Furthermore, in addition to the characteristics of product defined by Garvin (1987) and Han et al. (2000) link two new dimensions “form” and “function” to product usability. Therefore, product form can be defined as the customer’s image and impression of the product. Here, product functions are relevant to the product’s performance. However, these both dimensions are essential in creation of value and maintaining customer satisfaction (Roozenburg and Eckels, 1995).

2.4 Customer retention:
Defining in own words, customer retention can be mentioned as the process of buying products and services within certain time span in a repetitive nature (Sirdeshmuk et al., 2002). Along with this, in general, when there is higher cost of customer acquisition in comparison with the lower cost of serving, it tends to make the repetition of customers and consequently lead to increase in profitability. Hence, in this circumstance firms are advised to increase the customer retention level (Edward and Sahadev - 2011). Customer retention has been traditionally associated with perceived service quality, perceived value and customer satisfaction (Bloemer et al., 1999). However, many practitioners have found different conceptualization of customer retention in their research work.
According to Bowen and Chen – (2001), there are three approaches in measuring retention 1) behavioral measures, 2) attitudinal measures and 3) Composite measures. On the basis of service quality, the retention is treated as an observed behavior (Liljander and Strandvik, 1994). However, the behavioral measures of retention criticized by different researchers as only on the basis of reoccurring purchasing nature of the customer, it lacks the conceptualization on its measures which does not even differentiate loyal customers or their attachment to a particular product or brand (Day, 1996; Dick and Basu, 1994). Similarly, another measure attitudinal approach focuses on the emotional and psychological aspects of customer attachment co-relating to the retention (Bowen and Chen, 2001). And, the last approach is the combinational form of both approaches named as a composite measure which studies both behavior and the cognitive nature of customer (Bloemer et al., 1998). According to Oliver, 1999, the most important aspects in obtaining an absolute retention are the composition of psychological and attitudinal measures with the nature of repeat purchase.

Conclusively, we can visualize in this research that customer retention is the frequency of repeat purchasing nature of customer with the combination of attitudinal and cognitive measures. Customer retention also signifies a long-term commitment between customer and the firm to maintain a certain relationship by developing a form of the mutual commitment and leading to create long term buyer-seller relationships (Wilson, 1995).

2.4.1 Relationship commitment and Customer retention
Commitment is one of the important tools for any business house. With the nature of our research objective, discuss about the relationship commitment which is also one of dynamic concept in business world. Commitment is significant variable in business relationships that provides the strength, stability, durability, and even profitability of a relationship (Dwyer et al., 1987; Morgan and Hund, 1994). Actually, most of the findings illustrate the relationship as a perceived value for future perspectives. We can find two different dimensions studied under the relationship commitment: 1) affective commitment and 2) calculative commitment (Kumar et al., 1994; Geyskens et al., 1996). They state that affective commitment is willingness to have a continuation of the relationship for own excluding any instrumental values. Whereas, further they state that calculative commitment is highly defined on the basis of instrumental commitment nature for instance it includes costs, investments, benefits and any other related investment types.
2.5 Service quality, product quality and customer retention

Service quality is defined as customer’s valuation of product’s distinct quality (Zeithaml, 1988). It is conceptualized view about the customer’s evaluation with respect to their expectation and perceived performance (Parasuraman et al., 1988; Bolton and Drew, 1991). In this research study, we focus on service and product quality from the customer perspectives relating to the consumptions of goods and services in a grocery chain market. We draw a conclusive framework relating to theoretical discussions of our study and illustrate in diagrammatical form in figure 2.

**Figure 2: Relationship between service quality, product quality and customer retention**

![Diagram of service quality, product quality and customer retention](Source: Own construction)

The above Figure 2 represents the theoretical framework of this study. The theoretical framework of our study consider Retail Service quality scale (RSQS) of Dabholkar et al. (1996), and product quality dimensions of Garvins (1987), and their effect on customer retention. RSQS is a tool used to measure store service quality in four different dimensions which are as physical aspects, personal interaction, problem solving and policy. Physical
aspect is very important for making a re-purchase decision. When customers visit any store, they always desire to have a physical comfort for instance; physical layout, signs and symbols, available equipments in store (Bitner, 1992). Retention rate is also highly influenced on how the service personnel interact with customer and be able to develop a trust and confidence. Similarly, the factors like problem handing of the customer and the policies set by the firm also dedicate a positive influence in customer retention.

Moreover, the framework representing the product quality dimensions developed by Garvin (1987) includes dimensions like performance, perceived quality, durability, ingredients and physical look. Product quality is the overall utility of product by customers based upon the perceived value between what is received and what is given (Zeithaml, 1988). And, customer retention is indicated as customer’s intentions to make the repetitive purchase of a product and service. In this study, the importance of service quality dimensions and product quality dimensions are examined in relation to customer retention. Thus, according to this conceptual framework, the factors from Retail service quality scale and Product quality dimensions are significant for any retail form which has direct influence on the repurchase decision of the customer. Therefore, our study suggests that the consideration of these factors in positive way can yield a higher retention rate of customer with an optimal profit.
Chapter 3
METHODOLOGY

In this chapter the reason to conduct this specific study is explained. Moreover, research philosophy, research strategy, sampling and data collection method is discussed. Research philosophy is further described with its two different positions called ontology and epistemology. They are followed by research design and finally reliability, validity and generalizability of study is discussed.

3.1 Choice of the study
Retail stores are the real point of interaction between customers and organizations. Their importance in today’s society cannot be overlooked, especially the significance of grocery stores. Product characteristics are no doubt the crucial factors that influence customer purchase decision and repurchase decision. But due to similar products almost in competing stores have compelled firms to differentiate them from their competitors where they provide various types of services in order to gain a competitive advantage over their competitors. Services at a grocery store may include fast and flexible payment options where customers do not have to wait in queues, easy handling of customer’s problems and complaints, convenient working hours, place for children to play etc.

Considering the importance of these two factors i.e. product quality and service quality, we consider the need to conduct such a study where we could examine their relative importance and influence on customer purchase decision and customer retention. Most importantly, their impact on customer retention is our major interest because this will indicate their long-term effect on overall organization sales pattern.

Secondly, we chose to study service and product quality and their impact on customer retention because we want to find out whether an organization should focus only on product quality or service quality or both of them and if both of them, to what extent should they give importance to services and to what extent to products, in order to retain their current customers and attract new customers.

3.2 Research philosophy
The choice to whether conduct a qualitative or quantitative method depends upon the assumption of nature of knowledge and reality, how the knowledge and reality are perceived.
Concerning the nature of knowledge and reality, different assumptions can be formed enabling the researcher to choose a particular research approach. These assumptions help formulate research process ranging from methodology to type of questions applied (Hathaway, 1995). There are two different research philosophies which are ontology and epistemology.

3.2.1 Ontology
Ontology means the nature of social reality, where it states whether reality is objective and external or is subjective and constructed cognitively on individual basis (Long et al., 2000). Objectivism is an ontological position which means that social phenomena is an external fact that is not influenced by individuals, whereas, constructivism is another ontological position which states that social phenomena is not external and objective rather they are constructed by different actors (Bryman & Bell, 2007).

We believe that reality exists which can be perceived; service quality, product quality, customer satisfaction and customer retention exists out there which are external to customers. Organizations can improve service and product quality in order to maintain a desirable customer retention rate. It is an acceptable fact that higher customer retention is one of the effects of either good service quality or product quality. Customer retention, service quality and product quality are variables that have the characteristics of object in an organization, thus objective reality. These realities can be found out by comparing service quality and product quality and how they are perceived by customers. Thus a structured questionnaire is developed in order to find out customer’s perception of service and product quality and their relative importance.

3.2.2 Epistemology
The second research philosophy is epistemology which deals with creation of knowledge. Knowledge can be perceived as objective and theoretically accessible to all, or subjective and dependent on individual experience (Long et al., 2000). The conflict whether to study social phenomena under the same principles and procedures as one does for natural sciences still exists for epistemology (Bryman & Bell, 2007). Positivism is one position on epistemology which states that knowledge can be only obtained through scientific methods of testing hypothesis (Saunders et al., 2009). On the other hand, interpretivism is another epistemological position which contrasts positivism. Interpretivism means that subject matter of social sciences is different from that of natural sciences (Bryman
This means that social world needs a different approach which differentiates humans and their perception against natural order. Quality is a term which is perceived differently by different people therefore, interpretivism suits the nature of this research. What is a good service quality or product quality might not be the same for someone else. This matter is linked with human perception of the subject.

3.3 Research approach
In this research, we followed up with deductive approach where this approach follow the pattern for deciding a general theory, and building a theoretical framework; moving to specific outcomes (Trochim, 2006). Research approaches are mainly focused on the relationship between theory and data; together with the resultant assumptions which must be subjected to empirical findings (Bryman and Bell, 2007). Concerning the nature and aim of our research study, we followed the deduction process or deductive approach between service quality, product quality and customer retention. We are able to collect data from the customer perspective which provides us the output on relative influence on retention rate of customers either under service or product quality.

The theories and models such as Retail Service Quality model proposed, SERVQUAL Model, Combined service model, and study on service and product quality dimensions made us to go through the relationship study between service, product and customer retention formulating a conceptual framework. This framework shows the relationship of service and product quality with the customer retention. Eventually, the data collected are analyzed and were followed up with the theories used and examined either they were accepted or not for our study.

3.4 Research strategy
As per the nature of our research, quantitative data is collected following the quantitative method. The main aim of our study is to acquire adequate number of data for giving the validity to our writing and answering all the research questions. Therefore, concerning the overall nature of our research and going through the suggestions from theories used, we decided to conduct a quality awareness short survey following the quantitative data collection technique. This strategy is all about recording, analyzing and attempting to disclose the deeper meaning and significance of human behavior and experience, including beliefs, behaviors and emotions. All these stratification help us in our research finding as according to the nature of our research questions.
There are different ways to choose research strategy tools and techniques. When a research strategy is chosen using a single data collection technique with corresponding analysis procedure, it is known as mono method (Saunders et al., 2009). Similarly, when there are more than one data collection technique and analysis technique it is known as multiple methods (Saunders et al, 2009). That’s why following the research strategy technique we used the mono method for data collection because we use the questionnaire and quantitative data for analysis and findings.

3.5 Research Design
Research design is the framework of the research paper. There are five different types of research designs: 1) experimental design; 2) cross-sectional or social survey design; 3) longitudinal design; 4) case study design; and 5) comparative design (Bryman & Bell, 2007). According to the need of our study, we decided to use the cross-sectional or social survey design. The reason behind is that we were able to find out the many already available sources for the topic that we have chosen to write on. However, despite of availability of many other sources and work done on same topic, we prefer to make our findings more fruitful and approaching the customers to find out their perception on service and product quality. In business research, it is almost not possible to control a variable which is a good reasoning for social survey. The variables like gender, age, and social background are given and cannot be changed (Bryman & Bell, 2007). This makes it totally not viable to use the experimental design and we followed up to the social survey. We are objected to find out the customer perceived value either on service or product quality which could be either of their experience or any other assumptions like expectations or perception. Therefore, we formulated a set of questionnaire with reference to SERVQUAL and Retail service quality model.

Hence, for our entire findings and analysis the sole consideration was made on the responses from our target group and their perception on their own experience with COOP.

3.6 Research sampling and data collection
Based upon the quantitative method of our data collection, all the empirical data were collected via survey with a questionnaire. The questions given in appendix A, are focused under how and which questions; which were all motivated towards answering our research questions. The numbers of respondents are 100 in number. It is a non-random selection; therefore the only one location is selected- Gävleborg. From Gävleborg region, we selected two different cities Bollnäs and Gävle.
However, from our data collection, many of the prospective customers were reduced as they were not willing to give response showing time and situation as a reason for non-participation. Hence, our sample group is 100 in final. We conducted this during the month of December 2012, 4 days per week, spending 3-4 hours in average.

The questionnaire is structured with five different how and which questions. The background is with the age group, Gender and the member or nonmember of COOP. We formulated the questions mainly focusing on the re-purchasing behavior of the customers and the view of the service quality along with the perceived value from their entire experience with COOP. For getting more precise responses and the convenience of the respondents we had made the options/alternative choices for selection of the answers.

3.6.1 Data collection:
We started our survey for data collection among the customers of COOP, and visualizing their brand and quality awareness about COOP’s product and service quality. Data is collected either through primary or secondary data collection method. Primary data are new data collected specifically for primary purpose; while secondary data are those collected data which have already been collected for some other purpose (Saunders et al., 2009). The means which is used to collect data for a research project is known as Data capture instrument (Kent, 2007). And, it includes the means like personal interview and questionnaire.

Similarly, here the data used are acquired through primary and secondary data collection method. For primary data collection, we formulated questionnaires which is available in appendix A. We conducted face to face short survey with the customers in the form of questionnaire; we sent e-mail to the manager of COOP located in Gavel city too. We used the hard-copy of the questionnaire and with the permission from the Human resource department; we conducted our survey outside the COOP stores. The reason behind selection of this method is that we wanted to have a quick access with our respondents. We formulated a set of questionnaire with five different questions. Here, our target groups are the customers from COOP. We have the selection of only customers from COOP as we wanted to make a non-random selection of our respondents. Here, the respondents are independent of gender and age groups as we wanted to have maximum number of responses. Along with this, we went through different scientific articles and theories and literatures.
3.6.2 Data analysis and presentation:
Following the quantitative analysis method, we carry out our study with comparative and
descriptive analysis technique. The analysis is the capability to filter data and to clarify the
nature and the relationship between them (Saunders et al., 2009). We decided to use this
quantitative data analysis method because this method enables to explore, present, describe
and examine relationships within the quantitative data (Saunders et al., 2009). The most
important reasoning to follow this method is, we collected quantitative data and our research
objective is also “to examine and compare the importance of product quality and service
quality in food retailing and their effect on customer retention”. Therefore, to make the
analysis we used the comparative and descriptive analysis technique, for analyzing the
different service quality dimensions under Retail service quality scale and product quality
dimensions. Here, we make the comparison between the different dimensions.

The reason for using descriptive technique is that we wanted to summarize the data collected
in graphical presentation for better understanding to the reader as well as for us so that we
could easily examine and analyze the results (Agresti & Finlay, 2009). We used bar chart to
represent the data information. The reason behind selecting this presentation method is that
bar chart is the main graphical presentation tool which categorizes the data into different
groups that makes them easily understandable. Bar-charts allow the reader to perceive the
potential information without any confusion. Furthermore, it is easier and more reliable to
study and compare on a chart than to calculate them from the raw data. Also, we had multiple
categories to represent in our data presentation; so we made the grouped bar chart by pairing
the different categories and bar chart is the most appropriate one for making our presentation
real.

3.7 Reliability, validity and generalizability
Reliability of study shows that if the same study yield similar results if repeated (Wilson,
1995). This means the results should be consistent overtime by using a similar methodology.
For quantitative research usually reliability is measured on three factors, i.e. the extent to
which an instrument yield similar results repeated, results should be stable overtime and
results should be similar within a particular time span (Bryman & Bell, 2007).
There are three different ways to assess the reliability of a study which are test-retest
reliability, internal consistency reliability and alternative forms reliability (Malhotra, 2007).
The test-retest reliability is conducted twice, being that the condition provided should be
similar in both cases in order to give similar results. In alternative form reliability, the survey
is answered two times in two different forms while Internal consistency reliability summarizes the survey items.

Validity of a study identifies the fact whether a study measures what is supposed to do (Hernon & Schwartz, 2009). The agreement between instrument used and research objective is focused. The instruments used for this research are developed based on the objective of the paper. The items included in the questionnaire are taken from Garvin’s product dimensions and retail service quality scale to measure importance of products and services for grocery store.

Generalizability of the findings indicates extent to which survey gives the same results when applied in other circumstances (Malhotra, 2007). This study only focuses on customers of a single grocery chain but the findings might be generalizable to other grocery chains too.
Chapter 4
EMPIRICAL FINDINGS

This chapter starts by a brief introduction of the company whose customers are investigated. Then the empirical findings are presented by the sequence of questions in the questionnaire. Empirical data is presented in the form of figures plus explanation.

4.1 COOP

KF is the Swedish Cooperative Union, which was formed in 1899 by 41 consumer cooperative societies. Consumer cooperative society is defined by International Cooperative Alliance as “a co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (ICA, 2013). Thus the existence of a common goal is basic need which a cooperative society should fulfill. Therefore, another definition by Zeuli and Cropp (2004) states that consumer cooperative societies are developed by a group who has similar needs and run by their members to fulfill special needs (Zeuli and Cropp, 2004). Considering these two definitions of cooperative society, all the benefits go to the member which is the motivating factor and the reason behind increasing interest in cooperative societies.

Today KF is owned by 44 consumer societies where the number of members of these societies has exceeded three million. These societies own the retail group KF where COOP is the core business. Half of the country’s COOP stores are owned by KF group while the remaining stores are owned by 39 consumer societies (COOP, 2013). COOP is functional under different retail stores as COOP extra, COOP nära, COOP forum, COOP konsum, COOP bygg. These stores provide special benefits to their members in the forms of bonuses and discounts. Coop accounts for 21.5 percent of the entire Swedish grocery retail sector (COOP, 2013).

4.1.2 COOP in Gävleborg

COOP in the region of Gävleborg makes an important part of this whole cooperative society. COOP has 25 stores in almost 11 cities of the Gävleborg region where the number of members has reached 104,352 members. In 2012, COOP Gävleborg got 3,578 new members. Every member of society has the right to say and to accomplish this goal, the whole region is distributed in 25 districts where people get information about the activities of COOP and also give their point of view (COOP annual report, 2012).
4.1.2.1 Board of directors of COOP Gävleborg
The society’s board of directors consists of seven members which includes president and staff representatives. This board is responsible for society’s governance, rule and regulation and management of society. Board of directors also appoints the president of the current management. The members of board of directors are elected during the annual meeting where 71 representatives at district level join this meeting (COOP annual report, 2012). Being a cooperative society, COOP Gävleborg gives equal opportunity to every member to influence society’s decisions.

4.1.3 COOPs membership benefits
In 2010 COOP introduced a new dividend scheme for its members. This scheme means that members of COOP receive 1 to 5 percent bonuses depending on how much they purchase and the bonuses are paid in cash. COOP with its new dividend scheme wants to attract more people to join as a member of COOP because this scheme has a greater deal of economic benefits for the members. This scheme makes more loyal customers, and more people purchase at the COOP thus resulting in a more successful retail business.

COOP will achieve two important goals with the new dividend scheme as customers purchase more they get back more bonuses and at the same time COOP will generate more profit. The bonuses are counted on monthly basis for example if a member purchase for 1-1999 SEK per month, will receive 1% discount, 2000-3000 SEK will receive 2% discount, 3000-4000 SEK will receive 3% as shown by the green line in figure 3. Those members who do the payment with special COOP MedMera payment card will receive up till 5% discount which is indicated by the blue line in figure 3 (KF, 2010). COOP being a cooperative society entitles its all members to these benefits.
Figure 3: COOP’s new dividend scheme

Source: (KF 2010, pp.7)
4.2 Descriptive statistics

4.2.1 Demographics

**Gender:**

![Figure 4: Gender percentage of sample](image)

We collected data from different COOPs stores from the city of Bollnäs and Gävle. Gender wise, the overall sample represented a total of 61% female and 39% male which is presented graphically in figure 4. The variation in this number shows the willingness of female customers to cooperate and answer the questions. While lower number of male respondents indicates the opposite.

**Age:**

![Figure 5: Different age group of sample](image)
Respondents belong to five different age groups. The age group 16-20 years makes only 9% of overall sample and the next age group 20-30 years comprises 21 percent. Most of our respondents fall into 30-40 age groups which makes 34 percent of all respondents. The second largest age groups are 40-50 which are 23% and 50+ makes 13 percent. (See figure 5)

**Membership:**

Figure 6: Ratio of members and non-members of COOP store

COOP stores have customer cards called Medmera card through which customers join the pool of more than 3 million members. Members have special offerings and benefits in the form of discounts, bonuses and many more. Among our sample, 64% was member of COOP and 36% was non-member as shown in figure 6.

**4.3 Descriptive statistics for service and products elements**

**Frequency of purchase:**

Figure 7: Frequency of purchase of customers
The question which was included in the questionnaire was “How frequently do you purchase from COOP?” in view to find out whether they are regular customers or not. 26% of customers answered always, 34% answered often and 40% answered sometimes. Only 26% of the customers purchase always from COOP. (see figure 7)

4.3.1 Importance of Product elements
“How important for you is the following elements of a product when you purchase at COOP?” This question contains five different elements as Quality, durability, performance, ingredients and physical look of product; where these were rated from ”1” as extremely important, ”2” as very important, ”3” as somewhat important, ”4” as not very important and ”5” as not at all important.

Quality of Product:

**Figure 8: Importance of products quality**

![Importance of Products Quality](image)

According to the results from our survey, (figure 8) there is 59% of customer who thinks product quality is extremely important, 38% of them think it is very important, 3% of them think as somewhat important and there is no rating for two options. It shows that quality of product is extremely important for the COOP customer when they make purchase.
Products Durability:

Figure 9: Importance of products durability

![Importance of Products Durability]

On the second elements of product element as durability of product, 43% of customers think it as extremely important, 47% of them think it is very important, 10% of them think it is somewhat important and there is no rating for other two options. It reflects that highest percentage of customer think that it is very important to consider the durability of product when they make purchase. (See figure 9)

Performance of product:

Figure 10: Importance of products performance

![Importance of Products Performance]
Here, 46% of customers think product performance as extremely important, 39% of them think it is very important, 15% of them think it is somewhat important and there is no rating for other two options. Therefore, here too we find that the highest percentage of customer of COOP think that the performance of product is extremely important when they purchase from COOP. (see figure 10)

**Ingredients of product:**

Figure 11: Importance of product’s ingredients

We received highest 53% of customer who thinks that the ingredient of products is extremely important for them while they make purchase of a product. However, 31% of customer thinks it is very important, 15% of them think it is somewhat important, 1% of them think it is not very important and there is no rating in other option. It reflects that maximum number of customer rely and concern about the ingredients of product. (See figure 11)
Comparing to the other elements, here we have lowest 6% of customer who thinks that the physical look of products is extremely important. Consequently, 24% of customers think that it is very important, 46% of customer think that it is somewhat important, 16% of them think that it is not very important and 8% of them think that it is not important at all (figure 12). It shows that the physical look of product is somewhat important for customers while the purchase is made.
Product's elements importance:

Figure 13: Importance of all elements of products shown combine

Therefore, here is in figure 13, the combinational form of respondent result where the elements are differentiated with the colors and are combine presented under five different rating options. Conclusively, we see that the highest percentage with 59% of customer think that the quality of product is extremely important for them, 43% think the durability of product is extremely important, 46% think the performance is extremely important, 53% think ingredients is extremely important and 6% of them think physical look is extremely important. It shows that on average the product quality (59%) and ingredients (53%) of products are extremely important for customers.

Similarly, 38% of customers think that the quality of product is very important, 47% think durability is very important, 39% think performance, 31% think ingredients and 24% think physical look is very important. It shows that on average durability and performance of product is very important for customers. And, 3% of customers think product quality is somewhat important, 10% think durability, 15% think performance, 15% think ingredients and 46% think physical look of product is somewhat important. However, here we have only 1% of customer who thinks that ingredients of product and 16% who think that physical look is not very important. Only 8% of customers think that physical look is not important at all. Thus, it is clear that the maximum number of customer prefer the quality of product rather than other elements.
4.3.2 Importance of service elements:
“How important is for you the following elements of services when you purchase at COOP?”
On this question, we have a four different service elements as store appearance and layout, personal interaction, handling customer’s problems and complaints and fourth, parking place and operating hours. These are also rated as in above question “1 to 5” from extremely important to not important at all.

**Store appearance and layout:**

![Importance of store appearance and layout](image)

18% of customers think that store appearance is extremely important, 29% think it is very important, 47% think it is somewhat important and 6% think it is not very important. It reflects that maximum number of people think that store appearance and layout is somewhat important for them when they make purchase at COOP. (see figure 14)
Personal interaction:

Figure 15: Importance of personal interaction

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<tr>
<td>Extremely Important</td>
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Here, the highest 63% of customers think that the personal interaction is very important for them when they make a purchase. 14% think it is extremely important, 18% think it is somewhat important, and 5% think it is not very important. (See Figure 15)

Problems and complaints handling:

Figure 16: Importance of problem and complaints handling

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<th>Importance of Problems and Complaints Handling</th>
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<td>Extremely Important</td>
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41% of customers think that problems and complaints handling is very important for them, 31% think it is somewhat important, and 28% think it is extremely important. Therefore, it
shows highest percentage of customer think that handling problems and complaints is very important. (see figure 16)

**Parking place and operating hours:**

Figure 17: Importance of parking place and operating hours

The highest percentage is 43% who think that parking place and operating hours is very important for them following with 33% who think it is somewhat important, 19% think it is extremely important and to lowest 1% who think it is not important at all. It seems that customer prefer to have an adequate parking place and flexible operating hours when they desire to purchase in COOP. (see figure 17)

**Combined form of importance of service elements:**

Figure 18: Importance of all service elements shown combine

Following figure 18, the service elements are represented by different colors. Here, 28% of customer think that handling customer’s problem and complaints is extremely important,
consecutively, 19% think parking place and operating hours, 18% think store appearance and 14% think personal interaction is extremely important. Similarly, highest of all 63% of customer think that personal interaction is very important, 43% think parking place and operating hours, 41% think handling problems and complaints and 29% think store appearance and layout is very important.

47% of customer think store appearance and layout is somewhat important, 18% think personal interaction, 31% think handling customer problem and complaints and 33% think parking place and operating hours are somewhat important for them when they make purchase in COOP. Further, it shows that 6% of customers think that store appearance and layout is not very important, 5% think handling customer problem and complaint is not very important and 4% think parking place and operating hours are too not very important. Whereas, 1% customer think that parking place and operating hours are not important at all. Thus, it reflects that in average there is maximum number of customer who thinks that personal interaction is very important for them.

4.3.3 Product and service elements comparison:
“From above stated product and service elements, which one of them play more important role in your purchase decision from COOP?”

Figure 19: Product and service quality comparison

Here in figure 19, the product elements represent blue color and service element represent red color. From the chart above, it reflects that 55% of customer prefers product quality and 35% of them prefer service quality as extremely important for their purchase decision. 43% of
customer prefers product quality and 52% prefer service quality as very important. Similarly, 2% of customer prefers product quality as somewhat important whereas 13% prefer service quality.

Hence, according to this result, we see that more than 50% of customer 55% customers prefer product quality rather than service quality when they make purchase decision in COOP.

**Product and service quality comparison (mostly prefer to make purchase):**

“Which one of the following would you mostly attract you to purchase from COOP?” On this question, we have four different alternative answers. As a result,(figure 20) highest 71% of customer think they prefer quality and performance of product; 15% of them prefer ingredients and durability of products; 11% of them prefer convenient operating hours and payment options and lowest of all 3% prefer the way customer problems and complaints are dealt with.

Thus, eventually to conclude the empirical findings show that majority of customers prefer to be more concerned for the quality and performance of products rather than to the way how they are dealt with during a purchase encounter as given in appendix C. Product elements and product quality both are highly preferred by the customers holding more than 50% as highest 55% and 71% respectively. On contrary, under the service quality comparison, personal
interaction holds highest rating as 63%. Eventually, we suggest here that perceived quality of product and the personal interaction as a service element are highly preferred by the customers to make their purchase decision.
Chapter 5
DISCUSSION AND ANALYSIS
This chapter contains the analysis of empirical research. It begins with the analysis of service quality where all its components are discussed and is followed by discussion of product and its components. At the end, the importance of service quality and product quality and their respective influence on customer retention is discussed.

5.1 Service Quality and Customer Perception
In order to understand the quality of services, their determinants should be identified which could determine what the quality of service is for a customer (Parasuraman et al. 1985). According to Dabholkar et al. (1996), retail service quality can be assessed with five determinants which are physical aspects, reliability, personal interaction, problem-solving, and policy. In order to obtain customers perception of service quality, we have included these determinants in the questions in the survey.

Physical aspects of services which encompass the store appearance and layout have significantly lesser effect on customer purchase decisions, because most of the responses indicate lower level of importance. Although, two out of ten customers think that physical aspects of a retail store play significant role in their purchase decisions which is also supported by Kotler (1994), who suggests environment of store is important part of shopping experience and can influence the customer decision whether to visit again.

The second dimension on the scale of service quality adopted in the survey is personal interaction. Personal interaction dimension indicates the knowledge of employees, confidence, and providing prompt service, willing to help customers and handle customers on individual basis (Zeithaml, 1988). According to Macintosh (1997), personal interaction, relationship between the retailer and its customers, between the salesperson and the customers are very important for customer retention.

According to empirical data 63% of the customers give high preference to personal interaction. These findings indicate the value of personal treatment and personal touch given to customers during their visit to the store. Our findings are consistent with the findings of Zeithaml, (1988) and Macintosh (1997) in regard that personal interaction is of utmost
important for customer’s retailer’s long term relationship and commitment. This means that support of store personnel during a purchase encounter is considered to be very effective to create stronger tie between customers and the company. We mean that effective communication between customers and staff and the readiness of the personnel to provide prompt service helps organization to grow customer retention rate. Personal interaction is ranked higher than other service elements, but there are still many other factors like the characteristics of products, that play their role to develop a good customer base.

Retail service quality scale gives significance to after sales services which include problem solving and complaints handling. This element focuses on the willingness shown by retailer to accept return and exchanges and to sincerely resolve customer issues (Mehrabian, 1974). This element in our survey has gain relatively higher significance as 41% of respondents think that the way their problems are solved and their complaints are handled, plays important role in their choice of purchase.

The last dimension of service quality on RSQS is policy which means the policy of retailer for the quality of merchandize, convenient operating hours, parking place and payment options (Dabholkar, 1996). Our findings show positive effects on customer purchase decision on this dimension. Within the policy dimension such items are included that affects the time that each customer spends in the store. Retailers can help customer to avoid waiting in long queue for payment by providing flexible payment options or self-payment options (Das et al. 2010). We argue that these policies should be built to support customers during their shopping experience and reduce the level of frustration. For example a good parking place where customers could easily find a parking place and better payment option is the one that reduce the waiting time for customers. If policies were not favorable for customer, they might turn to competitors who are more concerned for ease and pleasant shopping experience of their customers.

5.1.1 Service elements comparison
In order to dig deep into the concept of service quality in retail store, comparison is drawn among four dimensions of RSQS. Scale used to measure the importance of each dimension is importance scale ranging from extremely important to not at all important. According to
empirical data personal interaction, problem solving and policy have high score on the scale “very important”, whereas, physical aspect is with lowest score on this scale. Among all, personal interaction seems to influence customer purchase and repurchase decisions to a greater extent followed by problem solving and policy. The least effective in this regard is physical layout of a store.

Personal interaction lays the foundation for long term relationship between customers and the retailers (Macintosh, 1997). This relationship becomes stronger in long term which in turn results into more loyal customers. The service dimensions of RSQS are developed by Dabholkar et al. (1996) to measure the service quality of retail stores. In our study, this model is used to compare the effects of these dimensions on customer retention.

We argue that services play dominant role in the success of retail stores. We think that service is the medium between company and customers that if services are provided properly will bring closer company and the customers. Our findings further indicate that retail stores should be more concerned to treat customers in person and make them feel important for the organization.

5.2 Perceived product quality
Perceived quality is defined by Zeithaml (1988) and Rowley (1998) as the consumers’ visualization about a product or service overall excellence or supremacy. The value of product is created for a consumer when they get benefits from consumption of product which is greater than the long-term costs expected by them (Slater and Narver, 2000). Following to Garvin’s (1984; 1987) eight dimensions of product quality; we formulated a corresponding questions for data collection. We use quality, durability, performance, ingredients and physical look of a product to examine greater influence of customers towards their purchase decision.

With respect to the empirical findings, it shows that the quality of product is rated as highest, ingredients as second, performance as third, durability as fourth and physical look as a lowest. In Shasharudin et al. (2010) study of a product’s quality and its attributes with respect to customer retention, they find that the image of the product itself is more important than the physical quality of the product itself. Further, they suggest that a good customer relationship and the product awareness are critical for maintaining the customer perceptions. Similarly,
our findings shows that very less preference is given to the physical look of a product and rather customers are highly focused on quality, durability, ingredients and performance of a product. Muffatto & Panizzolo, (1995) suggest that quality is the extent to which a product and/or service meets and/or exceeds customer’s expectation. Therefore, quality plays the key role for influencing the higher retention rate of customer. It seems like customers are becoming more conscious in determining the quality of product to make an ideal decision in their purchase (Sebastianelli & Tamimi, 2002).

Extending to the another scale as “very important”, it shows that durability is rated as highest, performance second, quality third, ingredients fourth and physical look is rated as lowest one. It reflects that on average durability and performance of product are highly rated to be very important. On the basis of product based approach, the differences in the quantity of ingredients in product leads to the differentiation in quality (Garvin, 1984). This can also be considered as a reason why customers are always motivated to study about the ingredients of product they choose to determine the quality of that particular product.

Our study suggests that customers are more concerned about the quality of products. Quality of products is the most dominant factor, but in the case of grocery stores, ingredients of products also play its role. This fact is proved by the empirical data, where 51% of the customers think that ingredient is the extremely important factor. Certain category of products is for certain group of customers for example, the lactose free dairy and nondairy products for those customers who are allergic with lactose. The whole segment of customers might turn to a competitor if their need were not met.

5.2.1 Product elements comparison
Adam (1992) states in his findings that, many firms primarily focus on the strategic objectives of improving product, process, and service quality as a method in order to achieve a world-class performance. Moreover, Hill (1994) also stated that product quality is an important factor for a firm development and gaining a sustainable competitive advantage.

Product factors of Garvin et al. (1987) are to define the overall quality of product, but in our study we compare these factors to identify the most effective and important factor. The elements as perceived quality, performance, durability, ingredients and physical look of products are compared here based on the empirical data. Our study suggests that products
perceived quality comes in the first place in comparison with other factors. This does not mean that a high quality product would have low performance or is not durable, rather, customer perceive high quality as scoring high on all of these dimensions. Olshavsky (1985) and Rowley (1998) state in their findings that quality is a form of an overall evaluation of a product.

Thus we argue that from customer’s perception, high quality means having good performance and durability. When the performance of any product exceeds or is adequately sufficient to meet the expectations of a customer, the perceived value or quality perception of product is also higher and the case is converse when the performance of product is lower or fails to meet the customer needs (Kenyon and Sen, 2012).

Hence, overall the customers are more focused on product quality and are highly influenced to make their purchase decision on the basis of quality they perceive. Further, the quality concept is created in relationships which falls between customers and suppliers and where both parties are active (Eriksson et al., 1999). They further suggest that always the perception of the quality is the experience of a customer under the performance and features of goods and services they consume.

Garvins’ dimensions of product show the multi characteristics of a product and the perceived value by customers. Supporting this view, Stone-Romero et al. (1997) show in their empirical evidence the multi-dimensional nature of product quality. Despite that fact that our empirical findings show different scores for product dimensions, the variation is small, except for the last dimension which is the physical look of products. So it can be concluded that a product with good durability, good performance and good ingredients is called to have high quality. We consider these factors are equally important for products of a grocery store.

5.3 Effects on customer retention
Customer retention is the frequency of repeat purchases over a span of time period (Wilson, 1995). Customer retention is one of the most important factors that firm’s success relies on. Satisfied customers don’t always mean profitable customers if it is based on short term transaction (Ang & Butle, 2006). This means that satisfied customers should be maintained satisfied in longer run where reoccurrence of transactions take place between the firm and
customers. Once customers are maintained satisfied over long period of time they even pay higher prices than new customers (Lindgreen et al., 2000).

According to our findings, customers are divided in three sections on the basis of their frequency of visit to the store. If we combine two elements of this question (always and often) we get total of 60% who mostly purchase from this particular grocery store. The second question is included with same purpose to obtain a rough estimation of the customers that purchase on regular basis. This is to know either a customer is member of the store or not. Membership gives additional benefits to the customers in the form of bonuses and points and motivates them to purchase more and more. Members make 64% of our respondents while the remaining 36% are non-members.

In order to find out the more influential factor that motivates customers and keep them attached to COOP, customers are asked to rank the importance of service quality and product quality. Our findings show that for 55% of customers product quality is the most important element whereas, only 35% of customers think that service quality is the most important element when they make their purchase decision. This means that product elements are given the first priority and service elements are given second priority during their purchase.

These results are supported further by another tool where customers had to choose only one alternative from four alternatives. Two of them are about service quality and two about products quality. Product quality and performance received the highest rank among all alternatives which is followed by ingredients of product, convenient operating hours and customer complaint handling.

It is important to understand the customer judgment and their repurchase intention. Here, “repurchase intention” can be included in the cognitive behavior of a customer. Dwyer et al. (1987) and Kim et al. (2004) state that the strong interpersonal relationships between service personnel and customers reduce the mobility; which can be considered as a non-responsive business activity. However, failing to support this view we came up with the conclusive result that in comparison with service and product quality elements “personal interaction” received a high response. It reveals that personal interaction with the customer play a significant role for marinating the decision of purchase. For instance, the same view was demonstrated by Jones et al. (2000) as strong interpersonal relationships positively influence the repurchase
intentions of unsatisfied customers. Also, Berry (1997) contended that the personal interaction with customers in a business relationship can increase the customer’s dependence with their service provider.

We argue that customer’s decision is determined by product quality to a greater extent. Services are also important for customers but product quality is given first priority while a customer decides on which store to purchase from. Thus it can be concluded from our findings, customer retention is affected more by product quality than by service quality. This means that customer of a retail store return to the same store because of the quality of products. Their most repurchase decisions are based on products; however, services seemed to have lesser effect.

To summarize, we discuss our finding in relation to literature. Considering the service elements, our findings are in consent with Zeithaml, (1988) and Macintosh (1997) for personal interaction dimension. Our study shows that personal interaction is most important element among all other service elements of Dabholkar et al. (1996). The other service elements are problem solving, policy and physical appearance. Further our study suggests that physical appearance of store has less effect on customers purchase decisions which is contrary to the findings of Kotler (1994). Kotler (1994) states that environment of store is very important factor that influences customers whether to visit again or not, whereas in our findings this element has received the least importance.

Focusing the quality of products, our findings are consistent with most of the research conducted in the field quality. Findings by (Sebastianelli & Tamimi, 2002; Hill, 1994; Kenyon and Sen, 2012) show product quality as useful tool for success of a firm. In case of grocery stores, customer decisions are also influenced by ingredients of products. Despite high quality, the ingredients of a product might make it unfavorable or despite low quality the customers might purchase it because of its ingredients. Since now we have been studying about the importance of quality, but when it comes to grocery stores, the importance of ingredients and their effect on customer purchase decision is the new finding of this study.

Anderson and Weitz, (1992), state that when a customer develops a strong feeling or attachment with the supplier, they feel like trapped and find difficult to switch to another supplier. Therefore, it symbolizes that when there is a relationship commitment then the
repurchase intention is also higher from a satisfied or loyal customer and eventually leads to higher retention rate.

To conclude, customers are more concerned about product quality. Product quality is the factor that determines their choice of store in the first place and then followed by services. Thus, by comparing their effect on customer retention, product quality is the factor that plays more significant role.
Chapter 6
CONCLUSION

In the conclusion, we present the results of our findings and answer the research questions. Furthermore, the managerial, theoretical and social implications are discussed. Finally, suggestions for future research and reflections of author are mentioned.

6.1 Findings and comments

Organizations know that existing customers worth more than new prospects because they are more responsive to offers and spend more than new customers (Smith, 1996). Significant part of marketing expenses should be allocated to retaining the old customers and gaining new customers. The most important goal of any organization is to deliver services or products that fulfill needs and wants of their customers and make them satisfied. Customer satisfaction increase customer retention and customer retention is dependent on nature of relationship between the parties (Eriksson & Löfmarck, 2000).

Factors that are significant for customer satisfaction and customer retention are product quality and service quality. Many authors have written about product quality and service quality from different perspectives; however, this study is unique in its perspective. As long as we study the comparison between these two elements and their effect on customer retention makes this research different from others. Specially, in retail industry the importance of product and service quality play a vital role or can be regarded as a backbone of business success. Product and service quality is considered as a measure to increase the customer satisfaction towards the retail store. When a customer receives a good service with a perceived value of a product, there is a greater possibility of having a satisfied customer and eventually this leads to repetition of purchase from a service provider.

Research question one is about the comparison and importance of service elements in retail store. As a result conclusion drawn from out findings indicates that customers value personal interaction more than any other element of services. The second priority is given to handling of complaints and problems. Nyer (2000) has examined the effect of consumer complaints and satisfaction. The author found that the more customers are encouraged to complain, the more customers will be satisfied. A company is more likely to retain customers if they are encouraged to complain and then these complaints are addressed properly and satisfied.
customers are more like to return and repurchase than unsatisfied customers (Ovenden, 1995). Answering the research question one, we argue that personal interaction is the most important service element.

Product quality received the highest rank among all other product factors. Considering the second research question, it can be concluded as a result of this study that despite the emergence of services in every sector of business, product is still considered the most significant factor in customer decision. Product quality is the primary element that affects customer’s decision while services in retail are considered as secondary element. When it comes to the choice of a grocery store, product quality plays active role to shape consumer’s choice. Satisfied customers continue to return to the store and repurchase as long as they are kept satisfied which increases the level of customer retention (Eriksson & Löfmarck, 2000). In addition, the answer to second research question is also supported by another product dimension in the case of grocery stores. Beside products perceived quality, products ingredient is the dimension that affect customer decisions.

The answer to last research question is that product quality influences customer retention more than services. The main reason, for a customer to purchase repeatedly from the same store, lies in quality of products.

Our study suggests that grocery stores should be concerned about the quality of their products. This will help firms to maintain a desirable customer base. However, they should also keep improving their services. In spite of the importance of products quality, services also have their effects on customer retention. Products quality comes in the first place, whereas, service quality comes in the second place.

6.2 Implications
The term marketing means to find customers who need your products and services and can purchase them. The more the number of customers, the higher the profit, thus terms like customer satisfaction and customer retention are coined. The concept of customer retention is studied under relationship marketing. Modern marketing literature is focused on developing tools and techniques that can help organizations build long-term relationship with every stakeholder.
6.2.1. Managerial implications

Our study is objected towards finding the influence of service and product quality on customer retention with respect to the product quality dimension and retail service quality scale. Therefore, we aim that our present study will be a helpful hand in managerial prospect to have a better understanding and knowledge about the mentioned dimensions for their customers and for management itself. It can help grocery stores that are more concerned about long term success. Not only grocery stores, rather any type of retail store, who want to know the value of products and services for their customer, can use these findings. Because today’s retail stores provide mix of products and services either its food retailing, apparels store or any other kind of retail store. This study can be helpful for organizations that have limited resources and that cannot invest simultaneously both for the improvement of products and services. For such firms, product quality improvement is the first objective to achieve in order to grow the number of customers and increase level of customer retention.

Therefore, the result of this research can be useful to managers in retail business world. It helps to deal with customer’s need and how they make their repurchase decision; which will ultimately aid the management to maintain their objective. It could also be useful to managers for strategic planning and its proper implementation. The management team could examine those other factors apart of service and product quality that the customers are influenced to make a decision to purchase or not to purchase or either they are satisfied or dissatisfied. Hence, in this situation, the managers can plan on those other factors in order to provide their customers with the best value and service. Along with this, they can also focus on the important dimension to position more important/necessary one in order to improve service and product quality to get an output as higher level of customer retention.

6.2.2. Social implications

Companies, either business oriented or service should be more concerned for the healthiness on what they product. High quality products mean also healthy products that have positive consequences for society as a whole. Our findings show that customer, who is one of the members of society, needs high quality of goods and in this regard companies should strive to fulfill their needs. The knowledge and the buying behavior of customers change with the change in time; therefore they are becoming more focused on quality and performance of a product day by day. People are focused in their health and fitness; they prefer to have a
qualitative product rather than an attractive product. And, our study also reflects that quality is the best mean to influence the customers buying decision.

Moreover, retail industries especially grocery stores are crucially linked to the environment or ecological system of nature. In this concern, the major role of a retail industry for its society and its people/customer is important to provide healthy products. Social bonds and relationship is also a key factor to establish customer retention.

6.2.3. Theoretical implication
The retail service industry has been discussed as a distinguish characteristic and nature. This study discusses service quality model of Dabholkar, Thorpe and Rentz (1996) named as the retail service quality scale (RSQS) that measures service quality in the retail setup. Similarly, Boshoff and Terblanche (1997), in reproduction of Dabholkar study found highly encouraging results for the RSQS applicability in the context of department stores, super markets. This gave also a light to our finding that service quality is important together with service dimensions for having better understanding in customers need and wants.

Along with this, as we discussed following the Garvins’ dimensions on product quality, we conclude that the perceived quality, performance, durability and ingredients of products are important factors for increasing the repurchase intention of the customers. Researchers from past and present have been studying on service quality and product quality and influence of these two terms in customer retention. Therefore, our theoretical foundation for future research is to study customer perception and expectation of service and product quality.

6.3 Reflections and suggestions for future research
In this study the authors examined the importance of services and products in grocery stores and the effects of services and products on customer retention. Primary data is collected through questionnaires by visiting the stores in two cities of Sweden, namely Bollnäs and Gävle and the number of respondents is 100. It could have given more accurate results if this study was conducted in large cities with more number of respondents. Furthermore, a qualitative study to examine managerial side would also be better. During the analysis, authors came to realize that if the two groups, members and non-members, are studied separately; this might give different and new results. However, the findings of this study are satisfactory. The findings are reliable that if the same study is repeated provided the same
situation which is called the test-retest reliability. This study has yield valid results because the instruments used in the survey are in accordance with the objective of the study. Prioritizing the future research study, we contend that a better understanding of the discussed dimensions and scale measurement can make firms well positioned to use quality as a competitive tool in the retail industry. Therefore, we suggest that though this concept is used and researched by number of researchers, still further research can be done for studying and analyzing about the relationship between customers and business focusing more on “relationship commitment”. Research can be done on different aspects/effect of the service quality as service quality is regarded to be a multidimensional and complex concept (Parasuraman et al., 1985; Bolton and Drew, 1991).

Furthermore, our study is limited to a single case study; therefore, it seems that the study could be fluctuated more if we could make the comparison of the views or data collection with other similar grocery stores. There might be possibility of gaining more knowledge about other influential factor for higher customer retention and also future research could seek to provide more empirical support for the theoretical background presented in this paper. Consumers judge the quality of products and services to purchase and continue to use in the future (Nelson, 1974; Darby and Karni 1973).

Ingredients of products can be interesting area for future research. This could be studied from environment perspective. The difference between ecological products and non-ecological products and their respective ingredients, the point of extraction of those materials used in the products and their effect on human life and environment can be an interesting and beneficial study.

Summing up, our study would undoubtedly be of use to retailers in their better understanding of 1) how their customers buying decisions are established and most importantly, 2) they know how the repurchase intentions of customer are changed. Hence, both of these contributions can act as a driver to the success of a firm. This will enable the firm to maintain the high level of competitiveness in this competitive market.
REFERENCES

Literatures


**Internet sources**


Appendix A

Questionnaire

We are students of master in business administration (MBA) in the University of Gävle. We are conducting a research to compare the importance of service and product quality and to examine their effect on customer retention in retail store. For this reason we will only study customers of COOP.

We and our supervisor Dr. Maria Malama would be grateful if you spare only few minutes out of your precious time answering the following questions.

Gender: □ Male □ Female

Age group: □ 16 - 20 □ 20-30 □ 30-40 □ 40-50 □ 50+

Are you member of COOP?
□ Yes □ No

1. How frequently do you purchase from COOP?
□ Always □ Often □ Sometimes □ Never

2. How important for you is the following elements of a product when you purchase at COOP?  *(Rate 1 for extremely important and 5 not at all important)*

<table>
<thead>
<tr>
<th>Product Elements</th>
<th>Extremely Important</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Not very important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of products</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Durability of products</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Performance of products</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Ingredients of products</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Physical look of products</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

3. How important is for you the following elements of services when you purchase at COOP?  *(Rate 1 for extremely important and 5 not at all important)*

<table>
<thead>
<tr>
<th>Service Elements</th>
<th>Extremely Important</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Not very important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store appearance and layout</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Handling of customer’s problems and complaints</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Parking place and operating hours</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
4. From above stated product and service elements, which of them play more important role in your purchase decision from COOP? (Rate their importance on the following scale)

<table>
<thead>
<tr>
<th></th>
<th>Extremely Important</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Not very important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product elements</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Service elements</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

5. Which one of the following would mostly attract you to purchase from COOP?
   a) The way customer problems and complaints are dealt with
   b) Quality and performance of products
   c) Convenient operating hours and payment options
   d) Ingredients and durability of products

Thank you!

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University of Gävle
Department of Business and Economic studies
### Appendix B

#### Summary of item (P1-P28) of Retail Service Quality Scale

<table>
<thead>
<tr>
<th>Retail Service Quality Dimension</th>
<th>Retail Service Quality Subdimension</th>
<th>Perception Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical aspects</td>
<td>Appearance</td>
<td>P1. This store has modern looking equipment and fixture.</td>
</tr>
<tr>
<td>Physical aspect</td>
<td>Appearance</td>
<td>P2. The physical facilities at this store are visually appealing.</td>
</tr>
<tr>
<td>Physical aspects</td>
<td>Appearance</td>
<td>P3. Materials associated with this store’s service (such as shopping bags, catalogs, or statements) are visually appealing.</td>
</tr>
<tr>
<td>Physical aspects</td>
<td>Appearance</td>
<td>P4. This store has clean, attractive, and convenient public areas (restrooms, fitting rooms).</td>
</tr>
<tr>
<td>Physical aspects</td>
<td>Convenience</td>
<td>P5. The store layout at this store makes it easy for customers to find what they need.</td>
</tr>
<tr>
<td>Physical aspects</td>
<td>Convenience</td>
<td>P6. The store layout at this store makes it easy for customers to move around in the store.</td>
</tr>
<tr>
<td>Reliability</td>
<td>Promises</td>
<td>P7. When this store promises to do something by a certain time, it will do so.</td>
</tr>
<tr>
<td>Reliability</td>
<td>Promises</td>
<td>P8. This store provides its services at the time it promises to do so.</td>
</tr>
<tr>
<td>Reliability</td>
<td>Doing it right</td>
<td>P9. This store performs the service right the first time.</td>
</tr>
<tr>
<td>Reliability</td>
<td>Doing it right</td>
<td>P10. This store has merchandise available when the customers want it.</td>
</tr>
<tr>
<td>Persona interaction</td>
<td>Inspiring confidence</td>
<td>P11. This store insists on error free sales transactions and records.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Inspiring confidence</td>
<td>P12. Employees in this store have the knowledge to answer customer questions.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Inspiring confidence</td>
<td>P13. The behavior of employees in this store instills confidence in customers.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Courteousness/helpfulness</td>
<td>P14. Customers feel safe in transaction with this store.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Courteousness/helpfulness</td>
<td>P15. Employees in this store give prompt service to customers.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Courteousness/helpfulness</td>
<td>P16. Employees in this store tell customers exactly when services will be performed.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Courteousness/helpfulness</td>
<td>P17. Employees in this store are never too busy to respond to customers’ requests.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Courteousness/helpfulness</td>
<td>P18. This store gives personal individual attention.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Courteousness/helpfulness</td>
<td>P19. Employees in this store are consistently courteous with customers.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Courteousness/helpfulness</td>
<td>P20. Employees of this store treat customers courteously on the telephone.</td>
</tr>
<tr>
<td>Problem solving</td>
<td>None</td>
<td>P21. This store handles returns and exchanges.</td>
</tr>
<tr>
<td>Problem solving</td>
<td>None</td>
<td>P22. When a customer has a problem, this</td>
</tr>
<tr>
<td>Problem solving</td>
<td>Policy</td>
<td>P23. Employees of this store are able to handle customer complaints directly and immediately.</td>
</tr>
</tbody>
</table>
## Appendix C

**Tabular presentation of the data**

1. **Gender**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>39%</td>
</tr>
<tr>
<td>Female</td>
<td>61%</td>
</tr>
</tbody>
</table>

2. **Age Group**

<table>
<thead>
<tr>
<th>Age group</th>
<th>16-20</th>
<th>20-30</th>
<th>30-40</th>
<th>40-50</th>
<th>50+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>9%</td>
<td>21%</td>
<td>34%</td>
<td>23%</td>
<td>13%</td>
<td>1</td>
</tr>
</tbody>
</table>

3. **Membership**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Member</td>
<td>64%</td>
</tr>
<tr>
<td>Non-Member</td>
<td>36%</td>
</tr>
</tbody>
</table>

4. **Frequency of purchase**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td>26%</td>
</tr>
<tr>
<td>Often</td>
<td>34%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>40%</td>
</tr>
<tr>
<td>Never</td>
<td>0%</td>
</tr>
</tbody>
</table>

5. **Importance of product dimensions**

<table>
<thead>
<tr>
<th>Product Elements</th>
<th>Extremely Important</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Not very important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of products</td>
<td>59%</td>
<td>38%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Durability of products</td>
<td>43%</td>
<td>47%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Performance of products</td>
<td>46%</td>
<td>39%</td>
<td>15%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Ingredients of products</td>
<td>53%</td>
<td>31%</td>
<td>15%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Physical look of products</td>
<td>6%</td>
<td>24%</td>
<td>46%</td>
<td>16%</td>
<td>8%</td>
</tr>
</tbody>
</table>
6. Importance of service elements

<table>
<thead>
<tr>
<th>Service Elements</th>
<th>Extremely Important</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Not very important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store appearance and layout</td>
<td>18%</td>
<td>29%</td>
<td>47%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>14%</td>
<td>63%</td>
<td>18%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Handling of customer’s problems and complaints</td>
<td>28%</td>
<td>41%</td>
<td>31%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Parking place and operating hours</td>
<td>19%</td>
<td>43%</td>
<td>33%</td>
<td>4%</td>
<td>1%</td>
</tr>
</tbody>
</table>

7. Comparison of product dimensions and service elements

<table>
<thead>
<tr>
<th></th>
<th>Extremely Important</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Not very important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product elements</td>
<td>55%</td>
<td>43%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Service elements</td>
<td>35%</td>
<td>52%</td>
<td>13%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

8. Major reason to purchase from COOP

<table>
<thead>
<tr>
<th>Customer Problems &amp; Complaints</th>
<th>Quality &amp; Performance of Products</th>
<th>Convenient Operating Hours &amp; Payment Options</th>
<th>Ingredients &amp; Performance of Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>71%</td>
<td>11%</td>
<td>15%</td>
</tr>
</tbody>
</table>