Emotional Satisfaction, Service Quality and Loyalty Model

in Retail Sector: An Examination

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This paper is to develop and test a conceptual model of the relationship among the constructs of service quality, customer loyalty and relationship quality and role of emotional satisfaction in predicting customer loyalty and relationship quality in retail industry. The study utilizes a review of literature to propose a conceptual model that postulates relationship between service quality, emotional satisfaction and customer loyalty. A four-item overall service quality scale developed by Dabholkar et al. (2000) was employed. The measure adopted by Reynolds and Beatty (1999) to capture emotional satisfaction as well as four-item customer loyalty scale developed by Parasuraman et al. (1994) was used. A retail chain departmental store of India was chosen as the study site. The result shows that service quality is positively associated with both customer loyalty and relationship quality. The research provides valuable insight into the role of emotional satisfaction in service firm like retail experience. Emotional satisfaction makes a significant contribution to the prediction of customer loyalty and relationship quality.

<u>Keywords</u> Customer Relation, Customer Loyalty, Customer Satisfaction, Service Quality Assurance

ehavior of frontline service employees is critical to customer evaluations of the service encounter (Hartline et al., 2000). Not surprisingly, organizations can create a distinct and sustainable competitive edge by providing an excellent service delivery process (Gro"nroos, 2001). Most often, a service involves frequent or extended person-to-person encounters between the contact employee and the consumer. In such instances, the service provided is inseparable from the contact employee; hence he plays an important role in the delivery of quality service as well as the formation of customer satisfaction. The degree of satisfaction, in turn, influences customers' behavioral responses in the form of "How a customer feels."

behavioral responses in the form of customer loyalty, word-of-mouth, or switching behaviors.

The importance of understanding customer-contact employee service encounter has been discussed in the marketing literature (Butcher et al., 2002; Hartline and Ferrell, 1996). In many cases, how a customer feels about the contact employee often

"How a customer feels about the contact employee often determines whether the customer forms positive behavioral responses towards the contact employee and the organization"

determines whether or not the customer forms positive behavioral responses towards the contact employee and the organization. Indeed, Liljander and Strandvik (1995) contend that customers who have developed positive emotional responses towards individual contact employees will have a stronger relationship with and be more committed to the organization. The development and maintenance of strong social relationships over a period can give the organization the opportunity to respond to service failures or competitors entreaties before a customer defects (Berry and Parasuraman, 1991; Storbacka et al., 1994).

The role of emotion is gaining attention as a central element in service quality management (Oliver, 1997). However, the literature does not yet offer clear models in this research area (Gro"nroos, 2001). There have been some studies of the effects of

emotions on satisfaction with service quality. Recent studies suggest that emotion is a fundamental attribute in satisfaction and such customer satisfaction should include a separate emotional component (Cronin et al., 2000). Indeed, Stauss and Neuhaus (1997) have contend that most satisfaction studies have focused mainly on the cognitive component of emotion, while seemingly important affective component has been largely ignored. Further, Liljander and Strandvik (1997) argue that customer satisfaction includes both affective (and emotional) and cognitive components. They found that negative emotions have a stronger effect on satisfaction with quality than positive emotions. Despite the above, consumer behavior scholars have limited information about the nature

of emotions in the environment and no conclusive management (Gro"nroos, 2001).

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service encounters. This paper is structured as follows. First, a brief synthesis of the extant literature on key conceptual issues concerning the role of emotion in service encounters is presented. Subsequently, the results of a study designed to offer empirical evidence on the interactions between the concepts is provided. Finally, this paper concludes with a discussion of a number of managerial implications and future research directions.

Customer emotions in service encounters

Past research has explored the role of customer emotions in understanding the consumption experience (Oliver, 1997). As suggested by Richins (1997), many specific consumption experiences involve a broad range of mixed emotions or ambivalence. In this instance, consumer ambivalence has been referred to as the experience of multiple positive and/or negative emotions in one consumption episode (Otnes et al., 1997). For an

example, Arnould and Price's (1993) research on the consumer-guide interaction in river rafting services provides picturesque examples of multiple ways by which emotions such as fear and anxiety may be expressed by the river rafting customers. The authors found that high levels of trip satisfaction could simultaneously include extreme positive (i.e. pleasure, happiness) and negative feelings (i.e. sad, regretful). In yet another study, Edell and Burke (1987) asked participants to indicate the types of emotions they experienced while viewing a series of ads. A key finding of this study is that multiple and diverse emotions are often experienced in response to marketing stimuli and such feelings are systematically related to marketing outcomes. Despite the importance of the topic for service organizations (Brown and Kirmani, 1999; Knowles et al., 1999), there is still a lack of empirical investigations of the role of emotion in service encounters and its relationship with key concepts in service quality management.

This study aims to examine the role of emotional satisfaction in service encounters. Accordingly, a service encounter is defined as "a period of time during which a customer directly interacts with a service" (Shostack, 1985, p. 243). This definition includes discrete, separate, and distinct events and behaviors, as well as a customer's interactions

with all dimensions of a service, such as the physical surroundings and the service contact employees (Bitner, 1990). Subsequently, this study seeks to:

(1) Investigate the relationship between emotional satisfaction and key concepts, such as service quality, customer loyalty, and relationship quality; and

(2) Clarify the role of emotional satisfaction in predicting customer loyalty and relationship quality.

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The role of emotional satisfaction

According to the satisfaction literature, the concept of consumption emotion refers to the

set of emotional responses elicited specifically during consumption experiences (Westbrook and Oliver, 1991). Specifically, consumption emotions have been conceptualized as distinct categories of emotional experience and expressions, such as joy, anger, fear; or as a limited number of dimensions underlying emotional categories, such as pleasantness/unpleasantness, relaxation/action, or calmness/excitement (Izard, 1977; Plutchik, 1980). In the satisfaction literature, there has been a debate as on whether satisfaction is itself an emotional construct or a cognitive construct, as it includes an emotional component (Babin and Griffin, 1998; Bagozzi, 1991). Indeed, Wirtz and Bateson (1999) have suggested that satisfaction is a partly cognitive and partly affective (emotional) evaluation of a consumption experience and separating them both are

"One's positive emotion is linked to one's decision to stay and continue involvement, while one's negative emotion is linked to the opposite decision, such as to leave and discontinue involvement"

valuable and necessary for modeling consumer behavior in service settings. Further, Oliver (1997) suggests that emotion "coexists alongside various cognitive judgments in producing satisfaction" (p. 319) and is essential to understand customers' consumption experiences.

Although there seems not to be generally agreed-upon definition among marketing scholars, Bagozzi et al. (1999) have recently defined emotions as mental states of readiness arising from cognitive appraisals of events or one's own thoughts. In this instance, one's positive emotion is linked to one's decision to

stay and continue involvement, while one's negative emotion is linked to the opposite decision, such as to leave and discontinue involvement. In addition, positive emotions may lead to positive word-of-mouth behaviors, while negative emotions may result in complaining behaviors (Liljander and Strandvik, 1997).

Service quality and customer satisfaction

Gro nroos (1984) defines service quality as a perceived judgment; resulting from an evaluation process where customers compare their expectations with the service, they perceive to have received (p. 38). The author also suggests that service quality issues can be split into technical quality (what is done) and functional quality (how it is done).

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above definition, also been described as related but not satisfaction that results of expectations with and Drew, 1991; 1988).

services literature, it early research efforts diminishing confusion satisfaction and service determining whether distinction between

them (Bitner, 1990; Cronin and Taylor, 1992; Oliver, 1993). Indeed, customer satisfaction is different from service quality. The most common explanation of the difference between the two is that perceived service quality is a form of attitude, a long-run overall-evaluation, whereas customer satisfaction is a transaction- specific measure (Bitner, 1990; Bolton and Drew, 1991; Chadee and Mattsson, 1996; Cronin and Taylor, 1992). This view is supported by qualitative research conducted by Parasuraman et al. (1985) which found several examples where consumers were satisfied with a particular service but still did not think that it was of a high quality.

Rationale behind Study

Emotions play a critical role in the customer-contact employee interaction. Moreover, Oliver (1997) suggests that human interactions are always more engaging than impersonal ones, and that it is possible for a customer to display mixed attitudes towards a service firm and its employees. In line with previous findings (Bagozzi et al., 1999; Liljander and Strandvik, 1997), this study generally supports the connection between emotions and behavior. Indeed, feelings take on monetary worth as customers' emotional

displays often influence their future behavioral intentions such as intent and word-of-mouth (Fox, 2001). Further, Sherman et al. (1997) suggest that a customer who shops at a store to buy a specific product may purchase additional items if his or her emotional state is positively enhanced by creative displays or

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demonstrations. Also, a customer may choose to shop at a particular store because he or she likes the store environment; subsequently, the customer may spend more money as a result of a positive- mood inducing atmosphere in the store. To this extent, even when a customer is in a prior negative emotional state, he or she may become emotionally uplifted while in a store where the atmosphere creates positive feelings of happiness or enjoyment.

Subsequently, Oliver (1993, p. 76) differentiates between two constructs by suggesting that satisfaction is "potentially all salient dimensions", requires experience- dependency, and involves emotions. The author further reverses the pervious notion that satisfaction is an antecedent of service quality and claims that quality is an antecedent of satisfaction. This view is supported by a study conducted by Gotlieb et al. (1994), where it is found that perceived service quality affects satisfaction, and behavioral intentions are affected

by satisfaction. In other words, consumer satisfaction is an intervening variable that mediates the relationship between service quality judgments and behavioral intentions (i.e. service quality! customer satisfaction! behavioral intentions)(Cardozo, 1965; Fornell, 1992; Halstead and Page, 1992; Taylor and Baker, 1994). In fact, perceived service quality has been considered as one of the primary drivers of customer satisfaction (Kristensen et al., 1999; Martensen et al., 2000). Hence, the following hypothesis is proposed:

H1. Service quality is positively related to emotional satisfaction.

Customer loyalty or purchase behavior customer loyalty is often referred to as a purchase behavior, unlike customer satisfaction, which is an attitude (Griffin, 1996). Customer

"Loyal customers are less likely to switch to a competitor due to a given price inducement, and these customers make more purchases as compared to less loyal customers" loyalty, a key mediating variable in explaining customer retention (Pritchard and Howard, 1997), is concerned with the likelihood of a customer returning, making business referrals, providing strong word-of-mouth, as well as providing references and publicity (Bowen and Shoemaker, 1998). Loyal customers are less likely to switch to a competitor due to given price inducement, and these customers make more purchases as compared to less loyal customers (Baldinger and Rubinson, 1996). Although most researches on loyalty have

focused on frequently purchased package goods (brand loyalty), the loyalty concept is also important for industrial goods (vendor loyalty), services (service loyalty), and retail establishments (store loyalty) (Dick and Basu, 1994). Accordingly, customer loyalty constitutes an underlying objective for strategic marketing and management planning (Kotler, 1984) and represents an important basis for developing a sustainable competitive advantage (Kotler and Singh, 1981). Prior research has shown that one's emotions have an influence on behavior, and that one responds to an event in certain ways to maintain

positive emotions (i.e. happiness) and to avoid negative emotions (i.e. depression) (Stauss and Neuhaus, 1997). Not surprisingly, positive emotion triggered by the provision of a high level of service quality that can be linked to favorable customer behaviors, and vice versa. To reinforce this view, an exploratory study by Oliver et al. (1997) found that positive emotion led to higher levels of customer satisfaction and increased repurchase intentions. On the other hand, Andreassen (1999) found that initial negative emotion caused by a service failure results in customer exit behavior. Given that previous research has found a direct relationship between emotions and customer loyalty behavior (Liljander and Strandvik, 1997; Stauss and Neuhaus, 1997), the following hypothesis is advanced:

H2. Emotional satisfaction is positively related to customer loyalty.

Overall relationship quality

Past research has not studied quality from a relationship perspective; therefore, the concept of relationship quality has not reached a general accepted dentition (Holmlund,

2001). Within the marketing literature, relationship quality has been discussed as a bundle of intangible values, which augments products or services and results in an expected interchange between buyers and sellers (Levitt, 1986). The more general concept of relationship quality describes the overall depth and climate of a relationship (Johnson, 1999). Moreover, relationship quality refers to a customer's perceptions of how well the whole relationship fulfills the expectations, predictions, goals, and desires the customer has concerning the whole

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relationship (Jarvelin and Lehtinen, 1996). Consequently, it forms an overall impression

that a customer has concerning the whole relationship including different transactions. According to Bateson and Hoffman (1999), when a consumer purchases a service, s/he purchases an experience created by the delivery of that service. During the consumption experience, various types of emotions can be elicited, and these customer emotions

convey important information about how the customer will ultimately assess the service encounter and subsequently, the overall relationship quality. If the customer is displaying positive emotions during the service encounter, it is expected that s/he will also form positive perceptions of overall relationship quality. Therefore, the following is put forth:

H3. Emotional satisfaction is positively related to relationship quality.

"If the customer is displaying positive emotions during the service encounter, it is expected that s/he will also form positive perceptions of overall relationship quality"

Research model

Based on the preceding literature, the research model for this study, shown in Figure 1, focuses on the relationship between service quality and emotional satisfaction, and its consequential impact on customer loyalty and overall relationship quality.

Service Quality

Emotional Satisfaction

Relationship Quality

H2

Customer Loyalty

Figure 1 Research Model

Method

Participants

The emotional nature of retail shopping has been widely discussed by researchers for some time. For example, Oxenfeldt (1974) posits that customers will have both opinions and feelings towards certain stores that will influence their perceptions, while Donovan and Rossiter (1982) suggest that emotional states of shoppers can affect their retail patronage, store search, interactions with store personnel, and in-store behaviors. Specifically, the focus of this study is to investigate the relationship between emotional satisfaction, service quality, customer loyalty, and relationship quality within a retail setting.

A retail chain departmental store was chosen as the study site because of the more complex set of issues involving customer-contact employee interaction (Mishra, 2000). A widespread sample was adopted with the intent to reduce any potential socio-economical and/or geographical sampling biases. During a one-month data collection period, the researcher intercepted every third shopper leaving the retail store, asked whether s/he is willing to participate in the survey, and recorded all refusals. The survey was self-administered by interested participants.

Measures

To remain consistent with past research, the measures were selected from previous studies in marketing, management, and psychology.

Service quality

A four-item overall service quality scale was employed (Dabholkar et al., 2000). Customers were asked to indicate their feelings on the following seven-point Likert-type scales-in terms of service delivery, retail store XYZ: "Has an excellent overall service";

"Has a service of very high quality"; "Provides a high standard of service", and "Delivers superior service in every way". Cronbach's alpha coefficient of reliability for this component measure of overall service quality was 0.76.

Emotional satisfaction

The measure adopted by Reynolds and Beatty (1999) was used to capture emotional satisfaction. Similarly, customers were asked to indicate their feelings with respect to shopping at retail store XYZ on a seven-point Likert-type scale along measures of emotions such as: "pleased/ displeased"; "unhappy/happy"; "disgusted/ contented", and "enjoyable/frustrating". The composite reliability coefficient for the emotional satisfaction measure was 0.77.

Customer loyalty

A four-item customer loyalty scale was adopted (Parasuraman et al., 1994). Using a seven-point Likert-type scale, customers were asked to indicate their loyalty towards retail store XYZ along the following: "I say positive things about retail store XYZ to other people"; "I recommend retail store XYZ to someone who seeks my advice"; "I encourage friends and relatives to shop at retail store XYZ", and "I consider retail store XYZ my first choice in the next few years". Consistent with prior research (Parasuraman et al., 1994), the composite reliability alpha of the scale was 0.78.

Relationship quality

To measure customer's evaluation of relationship quality, a two-item direct relationship quality scale was developed. Customers were asked to state their overall assessment of the quality of their relationship with the contact employee and the company on a seven-point Likert scale. Cronbach's alpha coefficient for this component measure of relationship quality was 0.71, thus suggesting adequate reliability.

Results

Table: I - Tests of Normality

	Kolmogorov-Smirnov(a)			
	Statistic	df	Sig.	
Customer Loyalty	.127	168	.000	
Overall Service Quality	.116	168	.000	
Relationship Quality	.144	168	.000	
Emotional Satisfaction	.103	121	.003	

Table no. I indicates that data have enough normality for conducting regression analysis and other test for testing the hypothesis.

Table- II Descriptive statistics, means, standard deviations, and inter-correlations

Construct	Mean	SD	a	OSQ	ES	CL	RQ
Overall Service Quality(OSQ)	3.233	.71	.76	1.00			
Emotional Satisfaction(ES)	3.67	.75	.77	.347	1.00		
Customer Loyalty(CL)	3.52	.76	.78	.315	.377	1.00	
Relationship Quality (RQ)	3.50	.70	.71	.347	.104	.530	1.00

All hypothesized relationships were supported. Service quality is positively associated with emotional satisfaction, as predicted. Emotional satisfaction is positively associated with customer loyalty, as hypothesized. But emotional satisfaction is not so strongly positively related with Relationship Quality. If the customer is displaying positive emotions during the service encounter, it is not expected that s/he would also form positive perceptions of overall relationship quality all the time.

Investigating the role of emotional satisfaction

To investigate the role of emotional satisfaction in predicting customer loyalty and relationship quality, multiple regression analyses were conducted. In the first regression, customer loyalty, as the dependent variable was regressed against the independent variables of emotional satisfaction: "pleased/displeased"; "unhappy/ happy"; "disgusted/contented"; and "frustrating/ enjoyable". In the second regression, the test was re-run using relationship quality as the dependent variable. The results of the multiple regression analyses are displayed in Tables III & IV. The results in Table III indicate that a customer's feeling of pleased or displeased with regards to shopping at retail store XYZ is an important predictor of customer loyalty. The Adjusted R Square= 0.146, F=5.245.On the other hand, as seen in Table IV, the extent to which a customer feels Pleased or displeased is an important predictor of relationship quality.

Table No. III Regression Analysis

	В	Т	Sig.
Pleased/Displeased	.275	2.110	.037
Happy/Unhappy	.136	1.110	.270
Contented/Disgusted	.003	.024	.981
Enjoyable/Frustrating	.094	.810	.420

Adjusted R Square= 0.146, F=5.245

Table No. IV Regression Analysis

	В	t	Sig.
Pleased/Displeased	.145	1.016	.312
Happy/Unhappy	.057	.429	.669
Contented/Disgusted	.018	.142	.887
Enjoyable/Frustrating	.020	.158	.874

Adjusted R Square= .020, F= 0.484

Discussion and Managerial implications

This research empirically examined the role of emotional satisfaction in service

encounters. This study used the relationship between emotional satisfaction, service quality, customer loyalty, and relationship quality as a context, as well as data from sample survey retail customers concerning their evaluation of their shopping experiences to address this issue. Specifically, service quality is positively associated with emotional satisfaction, which is positively associated with both customer loyalty and relationship quality. Further investigations showed that customers' feelings of enjoyment serve as the

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best predictor of customer loyalty, while feelings of happiness serve as the best predictor of relationship quality. Given the significant relationships between emotional satisfaction and both service quality and customer loyalty, managers need to pay particular attention

"Service firm to strategically leverage on the key antecedents of customer loyalty and relationship quality in its pursuit of customer retention and long-term profitability" to how customers feel during the service delivery process. Consequently, being well informed about the feelings of customers can bring forth valuable management initiatives. To achieve this, employees can be trained to observe evoked emotions in customers and to report them to the organization. This can increase the potential for imposing a significant and positive impact on customer loyalty and relationship quality.

From a strategic viewpoint, understanding and adapting to customers' emotional displays can help enhance the overall service delivery process provided by the organization, and this may be key to a successful differentiation

strategy. Given array of product and service choices that customers have due to the parity among brands and technology, organizations should constantly strive to deliver unique and differentiable value in order to create a significant competitive advantage in the current marketplace.

Limitations and future research directions

This research contributes to a richer and more systematic understanding of the role of emotional satisfaction in service encounters. In particular, this study examined the role of emotional satisfaction and its relationship with service quality, customer loyalty, and relationship quality. The findings demonstrated that different aspects of emotional satisfaction (i.e. pleased/unpleased) are important in enhancing customer loyalty and relationship quality. The results imply the need for a service firm to strategically leverage on the key antecedents of customer loyalty and relationship quality in its pursuit of customer retention and long-term profitability.

In interpreting the results, the limitations of the study have to be considered. First, the use of a specific type of retail store (i.e. chain departmental store) is a limitation of this study. Future research should replicate these findings by using samples from both within and across various industries, as larger informant samples would provide greater breadth of understanding. Future efforts could benefit from testing the proposed research model and hypotheses in a longitudinal design, so that actual behaviors of shoppers can be taken into account.

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