The Effects of Retail Service Quality to The Relationship Marketing and Customer Retention

By
Farida Jasfar & Robert Kristaung
Economics Faculty, Trisakti University

Abstract
The objective of this research is to find out the effects of retail service quality, especially the interaction quality, physical environment quality and outcome quality and marketing relationship to customer retention. This research uses the explanatory survey method and the primary data which is collected by using questionnaires. The Sample size which is required by Structural Equation Modeling (SEM) consists of 231 customers of Department Stores in Tangerang and Bekasi. The result shows that retail service quality towards relationship marketing is significant, the effect of relationship marketing to customer retention is significant, and the simultaneous effects of retail service quality and relationship marketing to customer retention is significant too.

Key Words: Retail Service Quality, Interaction Quality, Physical Environment Quality, Outcome Quality, Relationship Marketing and Customer Retention

BACKGROUND
Retail sector is an industry which is full of intensive competition pressure, expensive space rental, narrow profit margin, unskilled labor and high employee turnover (Mehta et al., 2000:62). The phenomenon also happens in Indonesia, many retail businesses are close their businesses (Investor, 2004:14). There are two local retail businesses that finally should be closed, they are Grasera Supermarket in 1999 and Ramandha in 2000. The others are joint venture retail businesses, between local and international retail businesses, they are Yaohan, Wal Mart, JC Penney, Seibu Department Store and 7 Eleven. Regarding the data, every year, from 1997 until 2000, there will be retail businesses that should close their businesses. Seibu comes back to Jakarta on May 2007 which is located in Grand Indonesia Shopping Center. Seibu segmentation target is premium class customers in Indonesia. Seibu is organized by PT Mitra Adiperkasa, Tbk which organizes Sogo Department Store. (Wikipedia, 2008)

The main failures of International retails are bad location, positioning strategy, and bad segmentation map while the local retails are more compete with the prices. The competition is from the conventional marketing strategy with the applications of classical marketing mix. Marketing strategy is building the relationship with customers, it can not be the guarantee for company to be in the strong position in the competition.

The problems which are faced by the Indonesian retail businesses are more complex because of the lack of marketing management application and customers disoriented. According to CEO Tesco, the well known retail in the world, local retails have big opportunities. The cheaper price is not longer becoming the successful key of modern retail business. However, the ability of the seller to have a good interaction with the customers by satisfying their needs is becoming the successful key of modern retail business in the world. (McKinsey Quarterly, 2002)
In the last five years, the retail sales growth, from food retail and non food retail, are fluctuated (Investor, 2004:13). The retail business growth has been decreased since 2000, however in 2003, there was an increased even the percentage of growth was still not the same as in 1999 and 2000. In 1999, it was the golden period of food retail growth. It reached the percentage around 46.3% and in 2000, the non food retail growth reached the highest percentage which was around 44.8%.

The growth of modern retail businesses whether hypermarket, supermarket, department store or even minimarket is increased very fast. Data by AC Nielsen mentions that modern retail businesses in Indonesia grow up to 30% in 2003 from 2001, especially which are located in the big cities (Sudarmadi, 2004:68). The growth of hypermarket, supermarket, department store and minimarket in Tangerang and Bekasi is very aggressive and such as Carrefour, Giant, Indogrosir, Alfa, Superindo or Indomart are the big retail businesses.

According to the survey done by BIRO (2001:13), the spread of modern retail network in Tangerang and Bekasi is the highest. Tangerang and Bekasi are ones of the 10 cities with the highest modern retail growth because they are becoming interesting targets for the retail businesses.

Regarding the academic theory and marketing application, relationship marketing is still limited in scope. The popular variables which have been researched are related to the product, price, distribution, promotion, packaging and customer service (Slater and Olson, 2001:1055-1067; Voss and Seider, 2003: 37-52). We should admit that the service quality which is based on the conceptual and empirical is a little bit controversial for retail industry whether it is for supermarket, drugstore or hypermarket. Generally, the service quality application is widely known in banking, insurance, hotel, restaurant and other services. In retail businesses, there are many rejections for the service quality application because retail businesses are part of the distribution chain.

Kim and Jim (2002), by using the model from Dabholkar et al. (modified the SERVQUAL becomes into SERVPERF or Performance-based measure of Service Quality) uses four dimensions: physical aspects, reliability, personal interaction and problem solving of on-sales-stores service quality for the customers in America and South Korea, it made the strong arguments that service quality measurement which is based on the work performance can be done in the retail sector.

However, in practice, the quality dimensions which consist of tangibility, empathy, response, reliability, and assurance are still popular to be used in the retail sector. Raven and Welsh (2004) did the deep explorative study in Kuwait and Lebanon found, they out that in the retail research there are two models that have big effects, they are SERVQUAL and SERVPERF model. This research uses modified SERVPERF model which is combined with the results of simultaneous service quality research from Brady and Cronin (2001). It also have shown that the aggressive hypermarket penetration in Indonesia do not only prepare for marketing strategy focused on classical marketing mix services (retail) but should also build the better relationship with the customers.

RESEARCH PROBLEMS

The customers who do the evaluate the service quality in the strongest retail industry is based on three main dimensions: interaction quality, physical environment quality and outcome quality (Brady and Cronin, 2001; Metha et al., 2000) and it does not see the effects of service quality on customer satisfaction and customer loyalty
(Fullerton and Taylor, 2000; Brady and Cronin, 2001; Sirdeshmukh et al., 2002). Therefore, it is expected that the strong customer retention is the customer willingness to be loyal to their regular stores which can be seen from the customer behavior covering mutual benefits between the customers and the stores.

The effects of three dimension of service quality: interaction quality, physical environment quality and outcome quality, when the customer go shopping and their response to the trust and and commitment, the dimensions of relationship marketing and it is implication to the customer relation. Therefore, generally the hypothesis of the research is the effects of retail service quality to the relationship marketing and customer retention, especially for the customers in the department stores with the detail research problems are as follow: (a). How are the effects of interaction quality, physical environment quality and outcome quality to the retail service quality for customers of department stores?; (b). How are the effects of service retail quality to the relationship marketing for customers of department store?; and (c). How are the effects of relationship marketing to the customer retention for customers and managers of department store?

**LITERATURE REVIEW**

The standard service quality model including for retail service industry is presented variously by the experts, however one that is widely accepted is SERVQUAL model, *Perceived Service Quality* model from Gronroos and profit chain model (Jasfar, 2003: 77-87).

Fullerton and Taylor (2000: 3-5) stated that service quality is closed with the attitude because it is about the whole value of service which is accepted by the customers. This value is based on various researches, especially the relationship with customers behavior and intention such as re-purchase or loyalty intention, switching intention, advocacy and price sensivity. In other words, service quality is one of the customer attitude and it has been refused to see the service quality only from the work performance.

Service quality becomes more significant topic in several decades. Generally, service quality is related and influence to the customer satisfaction, increasing company profit, increasing cross-sell ratio, high customer retention, growing re-purchase behavior and market share. (Siu dan Cheung, 2001: 88). Retail business such as department store is a pure service setting, the retail business environment is more complex because it offers a combination between merchandise and service.

Therefore, even though the service quality has been researched in the various service industries which are relatively “pure” such as banking, telecommunication and credit card, but the research result from Dabholkar et al (quoted from Siu and Cheung, 2001:89) said that the adaptation and validation to the retail store environment are less successful. Dabholkar et al. offers an alternative concept which is called *Retail Service Quality Scale (RSQS)* and consists of five dimensions, they are: (a) physical aspects: store physical external appearance and the comfortness of the store inside layout, (b) reliability of the store manager that is reliable in keeping his/her promise to do the right thing based on the customers or buyers value; (c) personal interaction which is related to the employees friendliness, helpfullness and the store employees can make the customers believe that they are reliable and can be trusted; (d) problem solving: retail service quality dimension which is related to the employees’ability that have trained well in facing and and solving the problems from the customers, such as customers complaint, handling the money refund and product return honestly and
Responsibly, (e) store policy: including the store operational hours policy, payment policy (cash or credit), discount card and others.

Siu and Cheung (2001) based on RSQS from Dabholkar et al. did the research in department stores in Hongkong business and shopping center. The analysis tool that was used is factor analysis with the goal is the dimension re-classification to the retail service quality measurement scale (RSQS). According to their empirical research in department store in Hongkong, there are six relevant retail service quality dimensions, they are: store physical appearance, commitment, personal interaction, problem solving, the policy and convenience (the internal physical environment) such as lay out, temperature, cleanliness, and so on.

Ellis et al., (2003: 207-208) explained by quoting the idea from Robinson (1999) which enlarged the twin dimension combination from the expectation and importance level of service quality that exposed the four developed model, they are:

Comparing between general service quality dimension of the retail with the specific one which is developed by Dabholkar et al (quoted from Kim and Jim, 2002) and well-known with the abbreviation is SERVPERF (Service Quality based on Performance), is found out that all indicators that have been researched are not all significant, especially the indicators from physical environment quality, trust and buying intensity. It is because of the research objects used are supermarket, department store and hypermarket which have different characters in the customer service.

Brady and Cronin (2001: 35-37) explained that there were three theoretical themes about service quality which were developed. The first, marketing experts do the service quality modification by adding the dimensions of service quality and larger analysis tool. The second, Enlarge the service quality model by adding one important factor of service quality environmental problem. The third is multilevel model which is developed by Dabholkar after the basic theory of service quality which is developed by Gronroos and Parasuraman, Zeithaml dan Berry (Brady and Cronin, 2001) and it is the continuing of SERVQUAL with the main application is in the retail sector. All in all, there are five models of service quality which have strong theoretical basis. The explanation for each retail service quality variable will be explained bellow.

Interaction Quality

Brady and Cronin (2001) mentioned three important things that should be paid attention in the interaction quality, they are attitude, employees personal behavior and experience, and service provider. The three aspects become important in the process of delivering services which is already mentioned before and it will increase the customers satisfaction and loyalty. In other words, the three things become the basic effects in service quality measurement. (Hopkins, et al., 2005 and Afthinos, et al., 2005).

The specific definition of interaction quality is the comparison between the performance of service delivery and customer expectation to the customer interaction during the process of service orders. The performance of qualified service delivery is formed by customer positive experience during the interaction of service delivery. The positive experience in the interaction is affected by the employees
attention and politeness, the employees' response to the failed system of service delivery, the employees' ability to adapt with the customers' needs and wants, the employees' appropriateness and loving action, employees' response to the customers' problem and the employees' ability to convince the customers for a trust.

**Physical Environment Quality**

The important factors from physical environment that become attention are ambient condition, facility design and social factor. The physical environment quality factors is the summary of all researches done (Brady dan Cronin, 2001) Ambient condition is physical environment factor which includes the non-visual aspects such as room temperature, music and others, while the design includes the good lay out architecture to fulfill the functional needs and estetics. The social factor, even though there is still uniniformed about the right indicators but it has been agreed that the number and the type of people which are involved in the service set up are really important. (Zeithaml and Bitner, 2003, Hawkins, et al., 2004, Lovelock and Wirtz, 2007).

The company should arrange and decorate the surrounding condition, lay out and the room functions including the signs, symbols and artefact to create the positive experience and condition for the customers during the process of service delivery along with their expectation so the customers can say that the company physical environment is satisfied.

**Outcome Quality**

Outcome quality has the understanding as the achievement of the interaction result between employees and customers in the transaction process including the goods or services delivery to the customers appropriately. The understanding of “appropriateness” is about time, cost and energy which are spent by customers in buying products or services, at least it is suitable the customers benefit compared to time, cost and energy that they have to spend during the process of buying products and services.

Brady and Cronin (2001) The term “outcome” which is often used in the research is quality in the technical term. The core of the outcome quality is the result which is got by the customers when the service production process is finished. However the effects to the service quality evaluation significantly shows the different results. But it is still believed that outcome quality pragmatically is expected to give strong effects to the perceived service quality.

Therefore, the first research hypothesis can be stated:

Hypothesis 1: The interaction quality, physical environment quality and outcome quality give significant effects on retail service quality.

**Relationship Marketing and Customers Retention**

The importance of relationship marketing is not only in the selling products physically, but for service marketing, the relationship marketing has more important meaning because the characteristics of services are different from products. The service marketing success is much affected by the company ability to manage the relationship among the customers, employees and other business partners. (Zineldin, 2000)
Because of the important relationship marketing created by the transaction process, Morgan and Hunt (1994) mentioned two concepts which were the successful key of relationship: trust and commitment. If the trust and commitment have been created among the transaction actors, so the result achieved will be efficient, effective and productive. In other words, trust and commitment from cooperative behavior which is the key of relationship marketing success.

Even though, the relationships have been known more than one decade, but from the construction, concept, implementation and evaluation, there is still disagreement from all marketing experts (Lindgreen, 2001: 75-76). Lindgreen did the interesting library research about the relationship marketing from the objective side of marketing experts including the customer satisfaction, customer delight, customer retention and loyalty. From the construction side, there are nine relationship marketing dimensions which start with the trust until the independence factor. In the application, the instrument is used in the direct marketing, marketing data inventory, quality management, service marketing, customer relationship and catch-all phrases. Even though relationship marketing is a new research field, but it has an important role for the company to have competitive advantages which are mentioned by Velotou et. al. (2002)

The trust comes from the long process of understanding from the two sides. If the trust has been build between the customers and the company, so it will not be difficult to keep the relationship. In the process of building the trust, Donney and Cannon (1997:38) explained the factors that could affected the details, such as company reputation, the size (big or small) of the company, the likeness attitude between the customers and the companies.

Commitment can be said as the written or disguised agreement to continue the relationship between two parties or more. The other forms of commitment are mutualism, loyalty and other alternative core of relationship (Morgan and Hunt, 1994). In other words, commitment means there is valuable relationship that need to be maintained well that each party wants to work together to maintain the relationship. Along with the definition above, in service marketing, commitment is building the relationship marketing between the company and the service users.

The next research concept is customer retention, this concept is relatively patterned in the research field as well as the marketing activities application. The importance of customer retention is more because of the cheap cost to spend than getting the new customers. It is supported by the statement from McIlroy and Barnett in the quotation is “customer retention has a direct impact on profitability and past research has claimed that it can be five times more expensive to obtain a new customer than to retain one” (2000; 347).

Customer retention can be said as the key of relationship successfulness. If a company can not maintain the customers and build the long-term relationship so it will lose one chance of transaction (Gronroos, 1994). Customer retention is not only talking about loyalty program and discount or reward for the customers but they are also related to the trigger the customers to come back because of the perfect quality, good management, on-time delivery and also the conducive communication with the customers.

The marketing applications which the goal is to maintain the customers so they will not go to other competitors is only oriented to the short term, for example creating customer loyalty and giving discount price but it is also important to know how the company service should to the customers expectations.
Aspinall et al., (2001) mentioned that there were two evaluation dimensions in the customer retention, they are attitude and behavior. In other words, to build the successful customer retention, the company should give the customers what they want and the delivery order (products or services) should be suitable with what they want too. It can not be denied that there is not guarantee that customer satisfaction can make the customers do the repurchase automatically.

Therefore, the second and the third hypothesis can be formulated as follow:

Hypothesis 2: Retail service quality has significant effects to the relationship marketing and customer retention.

Hypothesis 3: Relationship marketing has significant effects to the customers retention

MIND MAPPING

The enlarged service quality application in the service industry still makes the controversy in the level of construction/concept, variables, dimensions until the evaluation. On the level of construction or concept, there are seven service quality model which are known well, starting from perceived service quality, SERVQUAL, service profit chain, three component of service quality model, multi level service quality, hierarchy service quality model until SERVPERF and the last one is multi dimensional and hierarchical service quality model from Brady and Canon (2001; Siu and Cheung, 2001).
Picture 1.  
Research Paradigm

Picture 1 shows the relationship among the empirical indicators with each concept (construction), relationship marketing among the three retail service quality variables: interaction quality, physical environmentl quality and outcome quality and the last is the effects of retail service quality to relationship marketing and customer retention.

RESEARCH METHOD

This research is used to know the effects of retail service on relationship marketing and customer retention for the customers of department store. The research method is used is survey research to the customers of department store in Bekasi and Tangerang which are the members of APRINDO (The Association of Indonesia Retail Company).

The sampling technique uses the modified sampling (Gillett, 1989) because it is not only based on the stratification of probability technique for the store location, collecting sampling but also related to the required criteria for collecting sampling technique which is based on the theory mentioned by Cooper and Schindler (2003). The sample size is based on the sample size table which is mentioned by Sekaran (2003)

Questionnaire distribution uses 6 surveyors which of each three will be located in different city. The number of questionnaires that were be distribute is around 400 and the appropriate questionnaires that can be used for data process is around 231. The unvalid questionnaires are the questionnaires that are not fill out completely by the respondents such as respondent profile data especially the phone number for cross checking and the answer pattern is centred for example more than 50% of the answers go to number 3, 4 and 5.

Data analysis which is used in the research is descriptive analysis to see the sample characteristics and Structural Equation Modeling (SEM) for testing the research model and hypothesis (Hair et.al., 206). The coefficients that mention how big are the effects between one variable to the others and the test significance are processed through the LISREL 8.71 for Windows, the computer statistics program.

RESEARCH RESULTS AND DISCUSSION

Customer characteristics of Department Store

The market share of department store in Indonesia is actually invaded by the big five stores, they are Matahari, Ramayana, Yogyga, Borobudur and Sarinah. Their share around 48 %. From the big five store, Matahari and Ramayana (including robinson and Cahaya) are the most aggresive store to do the expansion (Biro, 2001: 48). However, In Tangerang and Bogor, Matahari, Ramayana and Borobudur are the most famous. Yogyga is more focused and famous in Jakarta and Bandung, while Sarinah is only focused and famous in Jakarta with the class segmentation is middle to upper class.
The whole customers who become the respondents in the research are around 231 people with the gender characteristics are women (55.8%) and men (44.2%). For the respondents age category, the most respondents are from the age of 21 to 30 years old (47.2%) and 31 to 40 years old (27.3%). If we consider the average number for the age category, it can be said that in this research the most respondents are from the age of 21 to 50 years old which are still quite active to do shopping in the department store, but it is still from the age of 21 to 40 are the most. For the education category, the most respondents are from diploma 3 or equal to that and Strata 1 (Bachelor) or equal to 26.3%.

The data gives the information that the customers of the department store are the people who are from the various level of educational background even most of them are from the high schools or more. For the work category, the most respondents which are not really different in percentage are the housewives (20.8%) and the students/college students (20.3%). The data gives the general description that from the work or profession category, the questionnaires are distributed well. For the status category, the married respondents are the highest in percentage which is around (47.2%) and the single ones are around 45.9%. Divorced or widowed respondents are only around 3% and 3.9%. The last respondent profile is about the house location with the highest percentage is in Bekasi which is around 30.2% and in Tangerang is around 33.3%.

The Effects of Interaction Quality, Physical Environment Quality and Outcome Quality on Retail Service Quality

The effects of interaction quality, physical environment quality and outcome quality on retail service quality are presented in Table 1. In the table, the three variables have the value $t_{value}$ which are higher than $t_{table}$ with the level of error is $\alpha < 0.05$. It means that the effects of interaction quality, physical environment quality and outcome quality on retail service quality for customers of department store in Bekasi and Tangerang are significant.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Parameter Estimation</th>
<th>$t_{value}$</th>
<th>Error Variance</th>
<th>$R^2$</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Service Quality $\rightarrow$ Interaction Quality</td>
<td>0.66</td>
<td>6.82</td>
<td>0.56</td>
<td>0.44</td>
<td>Ho rejected</td>
</tr>
<tr>
<td>Retail Service Quality $\rightarrow$ Physical Environment Quality</td>
<td>0.59</td>
<td>6.25</td>
<td>0.65</td>
<td>0.35</td>
<td>Ho rejected</td>
</tr>
<tr>
<td>Retail Service Quality $\rightarrow$ Outcome Quality</td>
<td>0.93</td>
<td>10.38</td>
<td>0.14</td>
<td>0.86</td>
<td>Ho rejected</td>
</tr>
</tbody>
</table>

If we pay attention to the parameter estimated value and determination coefficients ($R^2$), therefore the variable which gives the smallest effect is the physical environment quality with the percentage value is 35% and the variable which gives the biggest effect to the retail service quality variable is the outcome quality with the percentage is 86%. As the additional explanation, it is also can be compared between parameter estimated value with error variance or epsilon. The higher the effects of the parameter estimated value are and it is usually bigger than 0.50, the smaller the coefficient error variance value is. In contrast, the smaller the effects of the parameter estimated value are, the higher the coefficient error variance value is.
The Effects of Retail Service Quality on Relationship Marketing and Customer Retention

Along with the second hypothesis that is retail service quality has effects on relationship marketing and customer retention based on the SEM test by using the LISREL 8.71 for Windows program is presented in Table 2. The table shows that the effects of retail service quality on relationship marketing is significant because it has beta value around 0.52 with the value \( t_{value} = 5.63 \) which is higher than value \( t_{table} = 1.96 \) with the level of error is \( \alpha < 0.05 \). Moreover, the effects of retail service quality on customer retention is also significant with beta value is around 0.59 with value \( t_{value} = 5.47 \) which is higher than value \( t_{table} = 1.96 \) with the level of error is \( \alpha < 0.05 \). Therefore, the statement that mentions that retail service quality has the effects on relationship marketing and customer retention is rejected.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Parameter Estimation</th>
<th>( t_{value} )</th>
<th>( R^2 )</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Partial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Service Quality → R.M.</td>
<td>0.52</td>
<td>5.63</td>
<td>0.27</td>
<td>Significant</td>
</tr>
<tr>
<td>Retail Service Quality → C.R.</td>
<td>0.59</td>
<td>5.47</td>
<td>0.35</td>
<td>Significant</td>
</tr>
<tr>
<td><strong>Simultaneous</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Service Quality → C.R.</td>
<td>0.36</td>
<td>2.94</td>
<td>0.51</td>
<td>Significant</td>
</tr>
<tr>
<td>R.M. → C.R.</td>
<td>0.45</td>
<td>3.52</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The next or the third hypothesis is the relationship marketing has significant effects on the customer retention, therefore the SEM test result shows that relationship marketing gives significant effects on the customer retention with beta value is around 0.46 with the value \( t_{value} = 3.52 \) which is higher than value \( t_{table} = 1.96 \) with the level of error is \( \alpha < 0.05 \). The effects of retail service quality and relationship marketing on customer retention simultaneously is around 51\%, while The effects of other variables on the customer retention of department store in Tangerang and Bekasi which are not included in the research model is around 49\%.

![Diagram of relationship marketing and customer retention](image-url)
Picture 2.
Structural Model of Retail Service Quality to the Relationship Marketing and Customer Retention

Structural model of retail service quality to the relationship marketing and customer retention which is shown in the picture 2 is basically the result of the final of tested model. The retail service quality has the biggest effects on the outcome quality and has the smallest effect on customer retention.

The effects of retail service quality in this model are shown that it is better to built the relationship with the customers first in order to get the bigger value of customer retention.

The structural model of retail service quality shows empirically that the application of marketing mix for retail service necessarily needs the programs that can build the customers trust or commitment (relationship marketing) so the higher custome retention can be achieved.

DISCUSSION

The effects of retail service quality on relationship marketing to the customers of department store in Tangerang and Bekasi is along with the research which is conducted by Wong and Sohal (2003a: 34-50) and the research is about relationship marketing and service quality on trust and commitment in the two levels, they are employees level (interaction quality and outcome quality) and store level (physical environment quality and outcome quality). All variables which are tested have the significant effects except the store level which is not significant to the relationship marketing (the two researchers use the term ‘relationship quality) In the following research, Wong and Sohal (2003b) can approve that the effects of retail service quality on the trust is higher than customer loyalty, so there is strong similarity with this research result that the relationship marketing which consists of customers trust and commitment to the stores is important in the retail service quality.

Wong and Sohal (2003b) together with Terblanche and Bushoff (2005) can approve that the service quality can give a positive critical incident to the customer loyalty and repurchase intention. In contrast, the bad sevice quality will give the negative critical incident in result such as the customers loyalty to the store will be decreased and the negative information about the stores to the other customers will be spread (negative word-of-mouth behavior). All retail store attributes can give effects on shopping styles and store choices. The performance and the interaction with the store employees. Moreover, the physical facilities, service from the salesclerk, asking for the products and product lay out (such as clothes) are the important attributes of the store to the customers, of course including the price, quality options and brand of the selling products and also the store hospitality. Moreover the all cretive store layout and being friendly to the customers often become the impulsive for the customers to buy something that they are not planned before.

The commitment is important to know how far the customers are willing to be loyal and feel that their regular stores becoming the important part of their life or their family life. One of the store successfulness to build the commitment with the customers is how to create the customers feeling that there is something incomplete if they don’t go to the stores and create the sense of belonging that the customers thinks
the stores are very important and very valuable for their life so they need to keep them well.

In the last two decades, the retail business actors face the “smarter” customers and the increased expectations. It makes new and often unexpected competition from the domestic or overseas retail businesses and there is also the existing incredible information technology. The actors of retail business try to make the effort on differentiation by giving superior service in order to get the customer loyalty. The existing of relationship marketing becomes the new driver/trigger for the retail businesses which try to maintain the customers and also their loyalty. However, in practice, with the various retail format, it is not easy to implement the relationship marketing to maintain the strong customer loyalty to the stores.

Retail structure (read: department store) and competitive characteristics have been changed dramatically. Matahari is the real example which does the changes on the format of department store. It is followed by Ramayana. The change in the competition with the overseas investors are allowed to take part in local retail business which are protected by the government before. The customer markets have been changed in the big cities, the sales numbers are getting more difficult to be predicted, the growth of specialized retail (such as distro which grow fast in Bandung, Jakarta, Depok and Bekasi). The whole things cause the sharp arguments in the retail industry.

The fast and dynamic growth of retail businesses by increasing number of department stores has given the new threat to the market share that has already been invaded by the existing retail businesses which try to maintain their position in the middle of the coming retail format. If the store layout is old fashioned and the products are also less fashionable, it will make the stores be left by the customers. Selling technique by putting on sale their all products is not an interesting strategy anymore for the customers.

The research results show that empirically the marketing which is done by the department store is still based on the classical service marketing mix. Even though there is an effort to build the relationship for example through the customer member cards, according to the research result, it still does not work well. It can been seen from the evaluation based on the customer perception to the effort to build the customer trust and commitment.

CONCLUSION

Finally, The research conclusions are, the first is the interaction quality, physical environment quality and outcome quality can give significant effects on the forming of retail service quality to the customers of department stores in Tangerang and Bekasi. The second is the retail service quality has significant effects on relationship marketing and customer retention to the customers of department stores in Tangerang and Bekasi. The third is the effects of relationship marketing to the customer retention are also significant. The last is retail service quality has the biggest effects on the outcome quality and has the smallest effects on customer retention. Structural model of service quality shows that it is better for the retail business actors build firstly the relationship with the customers in order to get the big value of customer retention.

SUGGESTIONS
Based on the conclusion of research result, there are some suggestions are mentioned, the first is on the level of research instruments, the three factors of retail service quality are interaction, physical environment and outcome which can be used for evaluating retail service quality index because it has good constructive reliable level. Only for the customer relationship and retention which still need being tested across the service industry, not only for retail sector but also other service industries such as air flight (aviation), restaurant, hotel, beauty shop, life insurance and others. Therefore, it needs to enlarge the research sample in few big cities in Indonesia and analysis unit in the various retail format such as department store, hypermarket, so the generalization of research result about the retail service industry will be better.

The second, the research result can be the comparison on formulating the marketing programs and actions which can be seen that the retail management attention is still dominant in building and developing the customer retention but give less attention to the relationship issue. For the most applicable suggestion is to do the retail service quality performance evaluation based on the periodical customer value evaluation.

REFERENCE

Afhitnos, Yanni, Theodorakis, Nicholas D. and Nassis, Pantelis (2005). “Customer Expectations of Service in Greek fitness center: Gender, age, type of sport center, and motivation Differences”. Managing Service Quality. Vol.15, Iss.3, pp. 245


Investor, No. 98 Tahun VI, 6-21 April 2004.


