

# Analyzing the Impact of Personal Interactions Quality on Customer's Satisfaction and Loyalty with Mediator Role of Communications Quality: (Case Study: Isfahan's Retail Stores)

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## ABSTRACT

In recent years, managers in various industries concentrate to increase the quality of interaction with customers of their products in manufacturing and service sections. one of the important factors which stimulate tend for personal interactions quality is a comprehensive belief that increasing the quality of personal interaction may be the best way toward customers satisfaction and loyalty This paper analyzes the quality of personal interactions on customers satisfaction and loyalty in Isfahan's retail stores. This research according to its goal is application; according to method is descriptive-survey and base on a correlation and structural equation modeling (SEM). The statistical research population is customers of Isfahan's retail stores that 210 customers were selected using stratified random method. The survey results indicate that the quality of personal interactions has a positive impact on communication quality. On the other hand, the communication quality has a positive impact on customer satisfaction and loyalty. The research findings also indicate a positive influence of satisfaction on customer's loyalty in retail stores.

**KEY WORDS:** quality of communication, quality of personal interaction, customer's loyalty, structural equation model.

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## 1. INTRODUCTION

In the decade of 50 and 60, the main challenges facing companies has been optimal use of factors of production to meet growing demand in the market. mean while, the function of marketing has been identify different groups of customers, classify them, select the most attractive market segments and develop a marketing mix to increase sale and profitability of the company (Braganza and Myers, 1996).

In the mid-twentieth century, mass production and mass marketing techniques, change competitive structure with increasing consumer access to products. When the market was saturated with products and services and customer needs and buying patterns changed, potential sellers lost the ability to pursue separate markets. With the rapid advancement of technology and globalization, manufacturing of products and services has raised and cost has decreased for customers. Organizations provide various products and services of higher quality and lower price to customers with different tastes. Emerging electronic businesses, organizational dynamics and issues of cultural change has led lead organizational units to focus on customer. Many companies today are looking for re-establishing contact with new and existing customers to promote their long-term loyalty. Some companies could afford this promotion using relationship marketing through strategic and technology oriented use of communication systems. The customer will always choose the easiest and most appropriate channels (Peppard, 2000). Finally, the relationship between buyer and seller established after the sale. Such communication is difficult in nature. Helping prospective buyers must be specifically added to certain areas of retail (Levitt, 1983). Relationship needs a long-term perspective and dual aspect in customer acceptance not just as a receiver but also as a partner and co-producer of value (Gummeson, 1998). Today, awareness of the potential ongoing Relationship between buyer and seller for retailers is important as a conventional application of customer Relationship programs and techniques of market portfolio analysis (Grewal and Levy, 2007). Problems facing retailers and retail researchers, is in making real (creating) Relationship the consumer market. Quality of communication with the consumer evaluated as a central (Smith, 1998; Woo and Ennew, 2004). There are many researches that focused on examining and developing the quality of communication models, but in the meantime, most studies have examined the consumer markets. There are few studies that have focus in the field of retails that offer a mix of goods and services (De Wulf et al, 2003; De Wulf, 2001). The main objective of this study is to evaluate the quality of personal interactions on customer satisfaction and loyalty in the retail industry with the mediation role of quality of communication. There are hypothesis that has been proposed to show that the quality of personal interactions, communication quality and loyalty are important predictors of customer satisfaction. In this study, a multi dimensional perspective has been

used to evaluate the customer's loyalty in retail industry and the result can be beneficial for both researchers and specialists in this field.

## 2. RESEARCH LITERATURE

### 2.1. quality of personal interaction

In the retail position, sellers contact directly with the customers that they mostly are final customers of goods and services. Retail sellers can be a very important element in achieving differentiation and competitive advantage and getting value by customers in organization. Sellers play an important role in this field because they contact with customers directly. They play basic role to final delivery of goods and services to customers and their personal relationship lead to customers rebuying and loyalty (Vesel and Zabkar, 2010).

### 2.2. quality of communication

Concept of quality of communication express as ultra structural of multidimensional that reflect all relationships between companies and customers (Hennig Thurau, 2002) and this concept is a case for long-term relation and customer's retention (Moliner *et al.*, 2007). Perspective of customer's relationship should lead to attention toward quality of communication. Creating the quality of communication in this research comes with the components of trust, commitment and satisfaction. All of these components show long-term tend to creation of relationship with customers. Commitment and trust are known as key factors in the paradigm of relationship marketing and social exchange theory (Wong and Sohal, 2002). Conducted studies (Doney, and Cannon, 1997; Ganesan, 1994; Kumar *et al.*, 1995; Roberts, 2003) focus on stimulus (emotional) and calculator (rational) as two fundamental dimensions of commitment. Satisfaction improvement depends on stronger relation and putting satisfaction in the center of the communication equation. To increase the level of all components together, to cover the basics of research, better communication quality must be considered at the high level of trust, satisfaction and emotional and rational commitment (Storbacka, 1994).

### 2.3. Customers satisfaction

Kotler (1997) said that level of customer satisfaction is the difference between perceived function and customer satisfaction and customer expectations. Thus customer's satisfaction not only caused by perceived function but also reflects customer's expectations of this product. Comparing these factors cause satisfaction and dissatisfaction of customers. In other word, when customer's expectation doesn't match to his perception, he feels dissatisfaction. Oliver (1993) expressed that customers' satisfaction also has an emotional dimension because it contains a favorable or unfavorable feelings toward product or service. Customer's satisfaction is the main focus of effectiveness and efficiency of marketing programs. There are different definitions of customer satisfaction in the research literature. Among the most common scales, transactional satisfaction approach and cumulative satisfaction approach are the two approaches that have been widely used. Transactional satisfaction approach, consider customers satisfaction as a customer's emotional reaction to his last experience with the organization (Oliver, 1993). This reaction occurs when the selection process has ended. Intensity of the emotional reactions is different base on the conditional variables (Giese and Cote, 1999). On the other hand, customer's cumulative satisfaction is the overall assessment of all the experiences of buying and consuming a good or service in a long-time period. In fact, we can say that overall customer's satisfaction is the function of all satisfactions and dissatisfactions in his previous exchanges. In compare with transactional approach, cumulative approach reflects customers overall understanding of service performance of a company and therefore can act as a predictor for better customer loyalty. (Yang and Peterson, 2004).

### 2.4. Customers loyalty

When we consider the elements of loyalty in retail sales, the concept of "loyalty" is defined as the consumers tend to buy from a specific store or chain store for several times (Knox, D.S. and Denison, 2000). Definitions for loyalty have changed over time. At first, most studies were focused on the behavioral loyalty and did not pay enough attention to the perceptions and beliefs of customers (Jacoby and Chestnut, 1989). The research literature indicates that although many definitions are given for loyalty, but there are two major approaches: behavioral and attitudinal (Dick and Basu, 1994; Zeithaml, 2000; Chaudhuri and Holbrook, 2001). Behavioral approach considers loyalty as a behavior (Ehrenberg *et al.*, 1990; Kahn, 1986) and states that rebuying can express the customer's loyalty toward a trade mark. Behavioral loyalty is defined as repeated transactions, but this approach cannot distinguish between loyalty true loyalty and spurious loyalty. The important point is that only focus on behavior (e.g. rebuying) cannot be used to detect causes of these orders. This means that only by studying customer behavior cannot be realized whether this is only due to factors such as ease of purchase or monetary incentives or it is really customers attitudinal loyalty (Dick and Basu, 1994). Attitudinal approach emphasizes that attitudes must be considered along with the behavior in the definition of loyalty. Dick and Basu (1994) discussed that attitudinal scales act as a more valuable tool in identifying determinants of customer's loyalty in compare with behavioral scales and therefore have the major advantage than the behavioral scale. Assael (1992) defined loyalty as a good attitude toward a trade mark and as a result continues purchasing of that trade mark over time. Keller (1993) also confirmed this definition. Lee and

Cunningham (2001) claimed that attitudinal scales can have advantages to behavioral scales because they can lead to a better understanding of loyalty factors. Rundle-Thiele and Bennett (2001) also indicated that attitudinal loyalty scales are more useful in the service market because they are able to identify customer's positive attitude toward a company in service areas. Thus attitudinal loyalty scales is used to assess customer loyalty in this study.

### 3. Research model and hypothesis

Figure 1 shows a conceptual model of research that has been proposed base on literature related to perceived personal interaction quality and perceived relationship quality. In this model, the affect of personal interaction quality and relationship quality on customer's satisfaction has been considered.

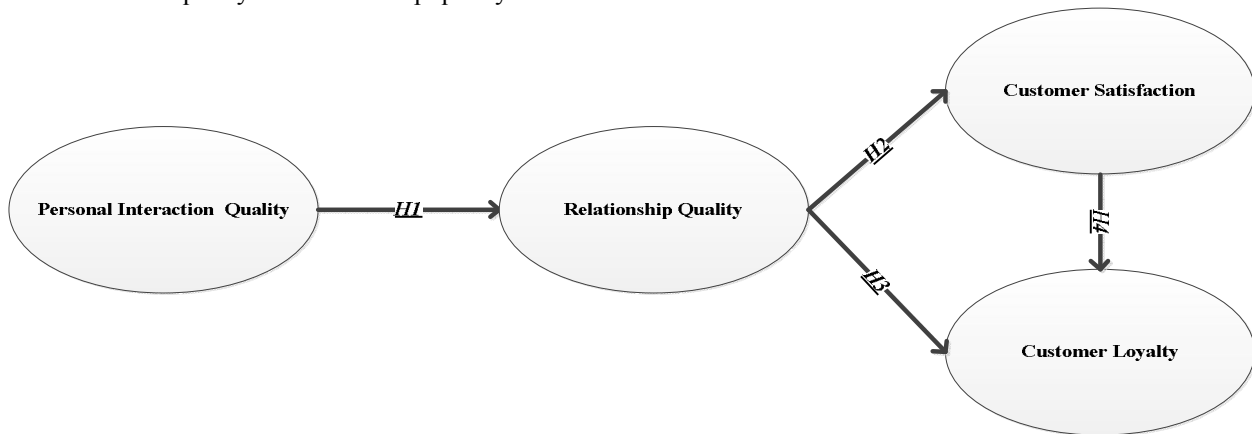


Figure 1. Research conceptual model

According to above model (figure 1), the following hypotheses have been collected

H<sub>1</sub>: quality of perceived personal interaction affects the quality of perceived relationship by customer positively.

H<sub>2</sub>: quality of perceived relationship by customer affects their satisfaction positively.

H<sub>3</sub>: quality of perceived relationship by customer affects their loyalty positively.

H<sub>4</sub>: Customer's satisfaction affects customer's loyalty positively.

### 4. METHOD OF RESEARCH

The study, due to consider the nature of personal interactions quality of customer satisfaction and loyalty in isfahans retail stores, is descriptive but in terms of purpose is practical and on the basis of the survey is conducted.

#### 4.1. statistical community, sample and sampling method

The study population consisted of all customers of retail stores in the city of Isfahan. Sampling method in this study is stratified random. Classification based on the municipality, the city is divided into 14 regions. To select a sample, some regions are randomly selected, then customers of several retail store in each region are selected randomly.

With the initial sample of 30person, sample standard deviation was 0.741.thus, regarding to this standard deviation and confidence of %95 and estimation error of the mean maximum 0.1 on the population, sample size was approximately 210 persons. Sample size formula is the following.

$$n = \left( \frac{z_{\frac{\alpha}{2}} \times S}{d} \right)^2$$

n: amount of sample

d: estimate accuracy

s: initial estimate of standard deviation

$z_{\frac{\alpha}{2}}$  : Normal variable corresponding with confidence level of 100(1- $\alpha$ ) percent

Thus, the sample size is equal to:

$$n = \left( \frac{1.96 \times 0.741}{0.1} \right)^2 = 210$$

#### 4.2. the data collection tool

The main tool for gathering information is a questionnaire that has been designed

On the range of five option Likert. Thus, to measure customer satisfaction Wang and Lo (2003) questionnaire, for customer loyalty Keller (1993) and Assael (1992) questionnaire and for quality of personal interactions and communication quality, Vesel and Zabkar questionnaire is used.

#### 4.3. Reliability and validity of the questionnaire

In order to ensure the validity of questionnaire, content validity of the method is used. So that the initial questionnaire, in a number of questions, how to express questions, Precedence of questions and range of response options has revised using the views of experts, professionals and experts in the field of marketing management and consumer behavior. Finally, after several stages of review and conduct a pilot phase, the final questionnaire was drafted. In this study, Cronbach's alpha method is used to calculate the reliability coefficient. The calculated value of Cronbach's alpha for all variables of this study is 87% which indicates high reliability of the used questionnaire. Cronbach's alpha values for study variables are given in Table 1.

Table 1: Cronbach Alpha amounts of variables

variable	Number of items	Cronbach's $\alpha$
Personal Interaction Quality	3	0.86
Relationship Quality	3	0.84
Customer Satisfaction	4	0.85
Customer Loyalty	4	0.88
Total	14	0.83

#### 4.4. ANALYSIS OF DATA

To analysis the data, SPSS18 and Amos 18 software is used. In this study, to analyzing hypothesis, a test is used and for examining the overall fitness of research, structural equation modeling is used. In structural equation modeling, the compliance of research data and conceptual model will examine to find whether the fitness is proper and on the other hand, significant of relationships will examined in this fitted model. Proper fitness indicators of the model are  $\chi^2/df$ , RMSEA, GFI, AGFI, NNFI (TLI), NFI, CFI and IFI. According to these indicators, the appropriate model would be one that the ratio of  $\chi^2$  to degree of freedom (df) is less than 3, RMSEA value is less than 10 percent, GFI, AGFI, NNFI (TLI), NFI, CFI and IFI is greater than 90 percent and PNFI is greater than 50 percent.

### 5. Findings

#### 5.1. Demographic properties

In Table 2, summary of statistical sampling in terms of demographic variables such as gender, age and education level are shown.

Table 2: Summary of statistical sampling in terms of demographic variables

Demographic variables	Variable level	number	percentage
gender	male	124	59
	female	86	41
age	20-30	71	34
	30-40	107	51
	40-50	23	11
	50 and above 50	9	4
	Under diploma	46	22
Educational level	diploma	63	30
	Associate	44	21
	BA	34	16
	Higher than BA	23	11

#### 5.2. Estimate and test the measurement model

To determine that how much indicators are acceptable for measurement models, at first we must analysis all measurement models separately. Base on adopting such a method, four measurement models of the relevant variables are examined separately. The overall fit indices for measurement model are presented in Table 3.

Table 3: Results of Fit Indices for Evaluation of the measurement models

Indices Name	$\chi^2/df$	GFI	AGFI	NNFI	NFI	CFI	IFI	PNFI	RMSEA
Personal Interaction Quality	1.97	0.931	0.916	0.947	0.945	0.911	0.951	0.732	0/078
Relationship Quality	2.12	0.912	0.939	0.951	0.937	0.957	0.945	0.621	0/018
Customer Satisfaction	1.94	0.944	0.955	0.913	0.933	0.963	0.923	0.833	0/023
Customer Loyalty	2.06	0.939	0.934	0.928	0.941	0.916	0.944	0.668	0/044
Recommended Value	3>	>0.90	>0.90	>0.90	>0.90	>0.90	>0.90	>0.50	<0.10

According to the results of the above table it can be concluded that the measurement models are fitted well and in other word the overall indicators confirm that the data are well protected from the patterns. In Table 4, results of confirmatory factor analysis with partial index P for the test of acceptable factor loading related to each question is presented.

Table 4: Results of confirmatory factor analysis (CFA)

Construct	Variables	Factor loading	P
Customer Satisfaction	CS1	.873	*
	CS2	.862	*
	CS3	.786	*
	CS4	.903	*
Customer Loyalty	CL1	.916	*
	CL2	.879	*
	CL3	.763	*
	CL4	.722	*
Personal Interaction Quality	PIQ1	.767	*
	PIQ2	.763	*
	PIQ3	.913	*
Relationship Quality	RQ1	.825	*
	RQ2	.859	*
	RQ3	.813	*

Note: Significant at  $p < .05$

Due to the load factor of above 0.7 and P the partial indicator and general indicators, it can be concluded that items measure data well.

### 5.3. Results of path analysis

After review and approval of measurement patterns in the first step, second step of path analysis is used to test hypotheses. The overall fit indices of path analysis are presented in Table 5.

Table 5: Results of Goodness of Fit Test

Indices Name	$\chi^2/df$	GFI	AGFI	NNFI	NFI	CFI	IFI	PNFI	RMSEA
study model	1.83	0.966	0.937	0.941	0.956	0.925	0.911	0.718	<b>0.076</b>
Recommended value	3>	>.90	>.90	>.90	>.90	>.90	>.90	>.50	<10%

Given the above it can be concluded that the general index showed a good fit to the data by the data model or in other words can be said that the collected data support the model well. Structural equation model with regression coefficients are presented in Figure 2.

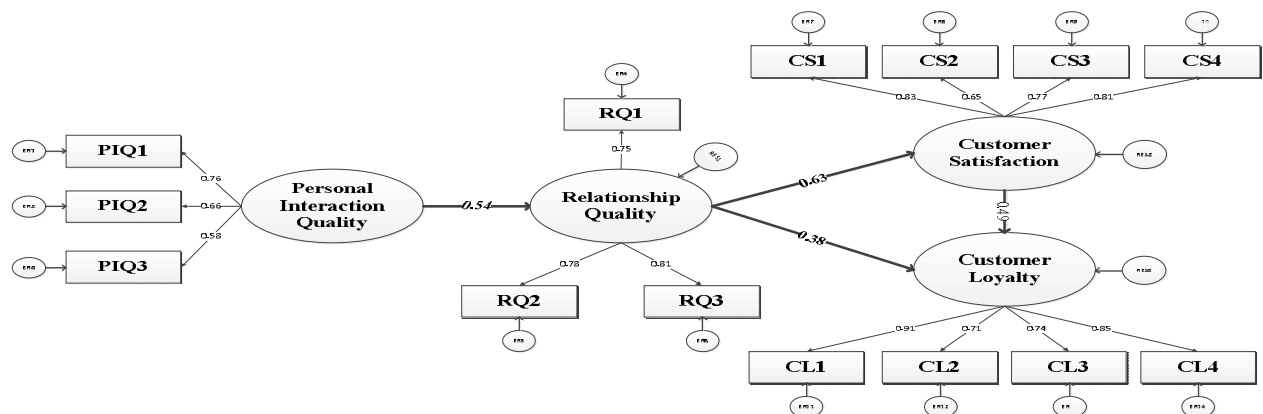


Figure 2: Structural equation model (path analysis) of research variables

### 5.4. Test the research hypotheses

After review and approval of model, to test the hypothesis significant, two partial indices of critical value and P is used. Critical value obtained by dividing the "estimated regression weight" on the "standard error". Based on significant level of 0.05 the critical value should be higher than 1.96. less than this amount, the corresponding parameter in the model is not considered to be important And also smaller values of 0.05 for P values indicate significant differences between the calculated value for regression weights with zero value at confidence of 0.95. Hypotheses with regression coefficients and partial index values corresponding to each hypothesis are given in Table 5.

**Table 5: Hypotheses testing results**

Hypothesis	Variable	Path	Variable	Estimate	C.R.	P	Result
H1	Personal Interaction Quality	→	Relationship Quality	0.54	3.847	*	Supported
H2	Relationship Quality	→	Customer Satisfaction	0.63	7.251	*	Supported
H3	Relationship Quality	→	Customer Loyalty	0.38	2.371	*	Supported
H4	Customer Satisfaction	→	Customer Loyalty	0.49	3.217	*	Supported

Note: Significant at  $p < .05$

### 5.5. Analysis of the hypothesis

Standardized regression coefficient for the first hypothesis 0.54 that with P values less than 0.05 associated to the regression coefficient, can conclude that this hypothesis with 0.95 confidences will be accepted and can be phrased that with confidence of 0.95, quality of communication has an effect on the quality of personal interactions.

The regression coefficient corresponds to the second hypothesis is 0.63 which confirmed this hypothesis and P values smaller than 0.05 corresponding this hypothesis is another proof of this hypothesis is confirmed. So with 0.95 confidences can be said that the quality of communication has an effect on customer satisfaction.

As can be seen in Table 5, Regression coefficients for the third hypothesis have the value of 0.38. The P value for this hypothesis is zero. In brief we can say that the regression coefficient associated with the hypothesis has a significant difference with zero value. So with 0.95 confidences, this hypothesis can be confirmed and stated that the communication quality has an effect on customer loyalty.

Standardized regression coefficient for the fourth hypothesis, is 0.49 And zero value for P, indicating the confirmation of this hypothesis. . So with 0.95 confidences can be said that customer satisfaction has an effect on his loyalty to retail stores.

### 6. Conclusion

According to the obtained results, it can be said that Quality of personal interactions and quality of relationships with customers, is one of the most important elements associated with the service at retail stores. Eventually these interactions should lead to customer satisfaction and loyalty. Therefore, pay more attention by managers to the quality of personal interactions, is essential to keep customers loyal in retail environment. Significant issue for managers, is their attention to training and raising the quality of sales force interactions with customers. In fact, ignoring this issue can lead to dissatisfaction and uncertainty of customers and ultimately reduce the level of customer's satisfaction and loyalty. According to the results obtained in this study, it was found that the quality of personal interactions and communication quality in the retail environment have a significant impact on customer satisfaction and loyalty and these elements play a very important and vital role in retail store management tasks. The findings of this research focus on the importance of quality of personal interactions between seller and buyer in creating better performance for a powerful marketing. Retail managers must not only rely on high quality products for the booming business, but also they must consider the quality of communication between sellers and customers that has a very important role in customers buying and rebuying. Managers can achieve this important issue through employing sellers with higher education and training them in the field of communication. Analysis of results indicates that to increase customer loyalty, retail owners should improve the quality of communication through its mediation role in order to increase customer loyalty. The importance of the quality of personal interactions on quality of communication was so evident in this study and we can say, in acquiring and maintain customer's loyalty is a very important factor. Results, consider this fact that marketing activities should focus on quality of communication and quality of personal interactions as affecting factors on customer loyalty. To create and enhance relationships with customers, managers should train, evaluate, promote and encourage their sales force in the field of customer relationship. Managers should conduct their human resources activities to improve the quality of communications and Customer Loyalty instead of focusing on short-term sale results. In this context, using the proper training and motivation for sellers is critical and should not be ignored.

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