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## **WHAT DRIVES RELATIONSHIP QUALITY? A STUDY OF TWO RETAIL CLOTHING STORES**

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### **ABSTRACT**

This study was conducted to determine factors that influence the relationship quality in a retail clothing store setting. Relationship quality comprises two elements, trust and satisfaction. Subjects of this study were taken from customers of two major retail clothing outlets in Penang. The results revealed that all five variables; physical aspects, reliability, personal interaction, problem-solving and policy are significant influencers of satisfaction. However, only four variables are found to be positively related with trust. Nevertheless, similarities exist between the tests run for both trust and satisfaction whereby physical aspects, personal interaction and policy are the three most important variables in determining relationship quality. The integration of the five variables with special emphasis on the physical aspects of the store, personal interaction and policy, is the key to a successful retail business.

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### **INTRODUCTION**

The impact of globalization on the local business scene is clearly evident as the nation progresses into the new millennium. For one, liberalization based on meritocracy will help good domestic firms to learn from and be eventually strengthened by strong foreign competition (Foong, 1999). To secure their survival in the global economy, Asian businesses must develop sharper focus and concentrate on moving up the value chain, producing things and providing services that the world wants and marketing them well. As such, many firms are now implementing a strategy shift in their marketing approach; from merely generating single, discrete transactions to building lasting relationships with existing customers. It is believed that the trust and satisfaction derived from solid customer-firm relationships will consequently lead to the customers' loyalty towards the firm.

The clothing retail industry in Malaysia is one such industry which is characterized by intensifying competition from both domestic and foreign companies, a spate of mergers and acquisitions, and more sophisticated and demanding customers (Sellers, 1990; Smith, 1989). Consequently, retailers today must differentiate themselves by outperforming their competitors (Dabholkar, 1996). For the retail clothing stores, satisfaction and loyalty of a customer is no longer solely dependent on the core product (apparel) but also on the service encounter which is the time when the customer interacts directly with the sales people and the store's elements. In this regard, it is vital for retailers to acquire knowledge of the factors that determine the relationship quality between service encounter and the customer, in the quest for customer loyalty. A company's success in being able to retain its customers will depend very much on how a company can successfully add value to its customers' shopping experience.

### **OBJECTIVE OF THE STUDY**

Our primary aim is to uncover the important factors that influence the relationship quality in a retail clothing store. Relationship quality comprises of satisfaction and trust. Furthermore, not much research done has captured the customers' perceptions of service quality for retail stores, defined here as stores that offer a mix of merchandise and service (Dabholkar, 1996). Therefore, it is also our goal to expand the local literature available in this area.

Two different mass-market clothing retailers, X (an Asian label) and Y (a local brand) have been chosen based on the similarity between both stores. Both stores sell casual and comfortable clothing targeted at the younger generation of consumers from the ages of 15 to around 30. They also happen to be close rivals competing for the casual apparel market share.

## REVIEW OF LITERATURE

### Aspects Influencing Retail Relationship Quality

Customers' expectations nowadays hardly centre around a particular aspect of the service or merchandise package but rather on many other aspects (Berry et al., 1985; Sasser et al., 1978; Johnston, 1995). Factors such as the physical environment, the reliability and personal interaction of the sales personnel, the store's trading policy as well as their problem-solving methods are contributory in the establishment of relationship quality.

As differentiation on the basis of merchandise, price or promotion becomes difficult, retailers can, however offer a unique physical environment or atmosphere that may influence the customer's patronage decision (Kotler, 1973). Physical aspects of the store include functional elements like layout, comfort and privacy and also aesthetic elements such as architecture, colour, materials and style. Baker et al. (1994) and Darden et al. (1983) found that consumers' beliefs about physical attractiveness of a store had a higher correlation with patronage intentions than did merchandise quality, general price level, or selection.

Reliability, personal interaction and problem-solving are the social factors involving the salespeople who are within a store's environment. Reliability is viewed as a combination of keeping promises and performing the services right. Personal interaction involves two sub dimensions such as service personnel inspiring confidence and being courteous. Problem solving addresses the handling of returns and exchanges as well as complaints. Therefore, the service contact personnel's characteristics such as friendliness, confidence, honesty, expertise and knowledge of customers are important as they strongly influence relationship quality (Shamdasani & Balakrishnan, 2000).

The aspect of policy concerns a set of strategies, procedures and guiding principles which the store operates under. It is also believed, to a certain extent, affect the relationship quality of a retail experience. As reported by Westbrook (1981) and Mazursky and Jacoby (1985), the other important criteria on which customers evaluate retail stores are the credit and charge account policies of the store and the ease with which the stores refund or exchange merchandise. Another policy attribute identified as important to retail shoppers is ease of parking (Oliver, 1981; Dabholkar et al., 1996).

### Relationship Quality – Satisfaction and Trust

Some authors have discussed relationship quality as a bundle of intangible value which augments products and services and results in expected interchange between buyers and sellers (Wong & Sohal, 2002; Levitt, 1986). The intangible value, then, can be seen as composed of at least two dimensions; trust in the salesperson and satisfaction with the salesperson (Crosby & Stephens, 1987; Crosby et al., 1990).

The emphasis firms are placing on customer satisfaction these days stems from the realization that keeping a current customer is much less expensive than attracting a first time buyer (Alford & Sherrell, 1996). Research has proven that service quality (Bitner, 1990), relationship quality (Crosby et al., 1990; Crosby & Stephens, 1987), and overall service satisfaction (Cronin & Taylor, 1992) can improve customers' intentions to stay with a firm (Keaveney, 1995). Some researchers argue that there is a distinction between satisfaction and service quality. Rust & Oliver (1994) suggested that customer satisfaction and dissatisfaction; a cognitive or affective reaction emerges as a response to a single or prolonged set of service encounters. Satisfaction is a post consumption experience which compares perceived quality with expected quality, whereas service quality refers to global evaluation of a firm's service delivery system (Anderson & Fornell, 1994; Parasuraman et al., 1985). Iacobucci et al. (1995) concluded that the key difference between service quality and customer satisfaction is that quality relates to managerial delivery of the service while satisfaction reflects customers' experiences with that service.

Aside from satisfaction, the role of trust in marketing, particularly its importance in long term sales relationships, has begun to receive attention (Dwyer, Schurr & Oh, 1987; Swan et al., 1985; Doney & Cannon, 1997). Trust has been defined as the belief that a partner's word or promise is reliable and a party will fulfill obligations in the relationship (Schurr & Ozanne, 1985; Wong & Sohal, 2002; Crosby et al., 1990). In the retail context, trusting relationships between customers, salesperson, and the stores are linked with positive overall outcomes. Having a salesperson that one can trust should increase the benefits derived from the overall shopping experience (Swan & Nolan, 1985; Wong & Sohal, 2002). Comparatively, salesperson trust and commitment is more important for the establishment of higher and stronger retail relationship quality, rather than store trust and commitment (Wong & Sohal, 2002). Thus, the authors suggest that in an attempt to foster better relationships

with their preferred customers and consequently gain customer loyalty, retail stores should place greater emphasis on interpersonal relationships using their role of salespersons.

## RESEARCH MODEL

The framework developed for this research is an adaptation and combination from the relationship quality models proposed by Crosby et al. (1990) and Shamdasani and Balakrishnan (2000) as well as the retail service quality model developed by Dabholkar et al. (1996). It is proposed that five independent variables comprising of physical aspects, reliability, personal interaction, problem-solving and policy have a significant influence on trust and satisfaction in retail clothing stores.

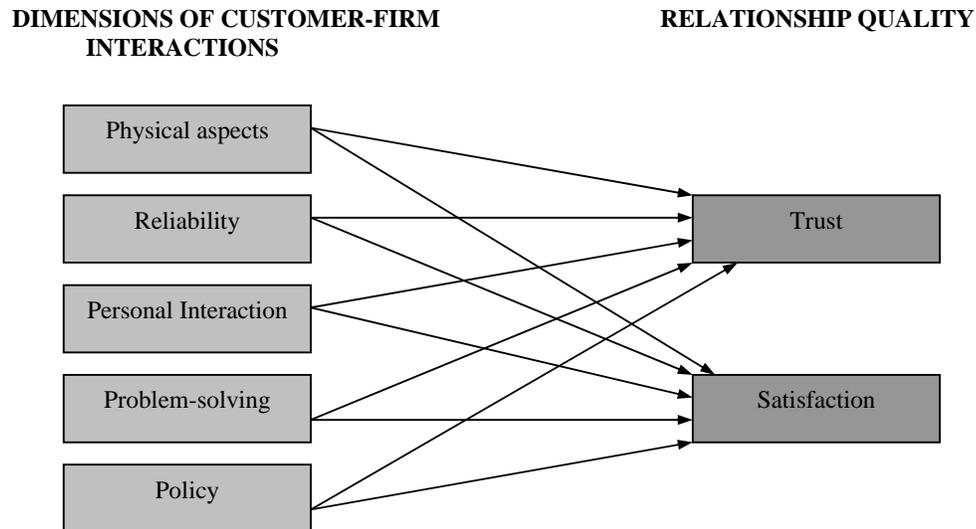


Figure 1: Research Framework

## HYPOTHESES

Based on the framework presented in Figure 1, the following hypotheses were developed for this research:

*H<sub>1</sub>: Customers' trust towards retail clothing stores is influenced by physical aspects, reliability, personal interaction, problem-solving and policy*

- H<sub>1a</sub>: Physical aspects will be positively related with trust*
- H<sub>1b</sub>: Reliability will be positively related with trust*
- H<sub>1c</sub>: Personal interaction will be positively related with trust*
- H<sub>1d</sub>: Problem-solving will be positively related with trust*
- H<sub>1e</sub>: Policy will be positively related with trust*

*H<sub>2</sub>: Customers' satisfaction towards retail clothing stores is influenced by physical aspects, reliability, personal interaction, problem-solving and policy.*

- H<sub>2a</sub>: Physical aspects will be positively related with satisfaction*
- H<sub>2b</sub>: Reliability will be positively related with satisfaction*
- H<sub>2c</sub>: Personal interaction will be positively related with satisfaction*
- H<sub>2d</sub>: Problem-solving will be positively related with satisfaction*
- H<sub>2e</sub>: Policy will be positively related with satisfaction*

## METHODOLOGY

### Sample and Procedure

Two retail clothing store chains, X and Y were selected for this study based on the similarity between these stores. Both X and Y sell unisex apparel ranging from cottonwear, denim, khakis and knitwear as well as accessories catering to the younger generation. Customers of all X and Y's outlets in Penang (both mainland and island) were involved in this study. Purposive sampling was used whereby the respondents had to fulfill the criteria of having visited the stores before even if they had not made any purchases. Personally hand-delivered questionnaires in workplaces, homes, educational institutions and shopping complexes were used as a method of data collection as distributing the questionnaires within the stores was not allowed by the stores' management. The survey was conducted over a period of three weeks in the month of August coinciding with the Malaysian Mega Sales period. The sales season increased the probability of the respondents patronizing the retail stores.

### Variables and Measures

The five independent variables used in this study are physical aspects, reliability, personal interaction, problem-solving and policy. On the other hand, trust and satisfaction serve as the dependent variables. Responses to all of the variables mentioned above were measured on a 5-point Likert like scale, ranging from 1=strongly disagree to 5=strongly agree. In addition to the items measured, respondents were asked questions relating to their purchase or store visit history such as their frequency of visit, purchase of merchandise and the average amount spent on each visit to the store. The questionnaire items were adapted from Dabholkar et al. (1996) and Shamdasani and Balakrishnan (2000). Table 1 briefly describes the number of items used for each measure and also the sample questions and reliability for each construct.

Table 1: Description of Questionnaire used

Variable	Number of Items	Sample Question	Reliability Cronbach Alpha
Physical aspects	6	This store has modern-looking equipment and fixtures	0.84
Reliability	5	When this store promises to do something by a certain time, it will do so.	0.78
Personal Interaction	9	Employees in this store have the knowledge to answer customers' questions	0.85
Problem-solving	3	This store willingly handles returns and exchanges	0.62
Policy	5	This store offers high quality merchandise	0.82
Trust	5	The employees at this store are reliable	0.86
Satisfaction	5	I am satisfied with the employees at this store	0.85

## RESULTS

### Profile of Respondents

A total of 221 questionnaires were collected out of the 230 questionnaires distributed. 10 questionnaires were discarded because a large portion of the questionnaire was not completed. Hence, only 211 questionnaires were used in the final analysis. The respondents' profile is as presented in Table 2.

Table 2: Respondents' Profile

Demographic Variables	Categories	Frequency	Percentage (%)
Gender	Male	57	27.0
	Female	154	73.0
Age	15-19	24	11.4
	20-24	167	79.1
	25-29	17	8.1
	30 and above	3	1.4
Ethnic	Malay	68	32.2
	Chinese	129	61.1
	Indian	12	5.7
	Others	2	0.9
Education Level	SPM or less	21	9.9
	STPM	70	33.2
	Certificate or diploma	22	10.4
	Degree and above	98	46.4
Occupation	Professional/Technical	7	3.3
	Managerial/Administrative	2	0.9
	Clerical	2	0.9
	Sales/Service	7	3.3
	Production	4	1.9
	Student	186	88.2
	Others	3	1.4
Income	Not working	181	85.8
	RM 1000 or less	15	7.1
	RM 1001 - RM 2000	12	5.7
	More than RM 2000	3	1.4

### Respondents' Purchase or Store Visit History

Table 3 shows the information gathered from respondents regarding their purchase or store visit history.

Table 3: Record of Purchase or Store Visit of Respondents

Description	Categories	Frequency	Percentage (%)
Clothing Store	X	105	49.8
	Y	106	50.2
Visit	Less than once a month	117	55.7
	About once a month	57	27.1
	About once every 2 weeks	23	11.0
	About once a week or more often	13	6.2
Purchase	Yes	171	81.0
	No	40	19.0
Amount spent (for those who make purchases from the stores)	Less than RM 50	75	44.1
	RM 50 – RM 100	72	42.4
	RM 101- RM 200	17	10.0
	More than RM 200	6	3.5

### Descriptive Statistics

Means and standard deviations were obtained for all 8 variables. From Table 4, it can be seen the means for all 7 variables are quite close, which is around the range of 3.18 to 3.75. The variable physical aspects was the highest with a mean of 3.75, followed by the mean of policy, 3.61 and the mean of satisfaction, 3.53.

Table 4: Descriptive Analysis for Variables

Variable	Mean	Std. Deviation
Physical aspects	3.75	0.62
Reliability	3.38	0.54
Personal interaction	3.43	0.53
Problem-solving	3.18	0.56
Policy	3.61	0.67
Satisfaction	3.53	0.65
Trust	3.47	0.62

### Multiple Regression Analysis

Multiple regression analysis was used to understand how much variance in the dependent variable is explained by a set of predictors (independent variables). The results are summarized in Table 5.

Table 5: Multiple Regression Analysis: Determinants of Relationship Quality

Independent Variables	Dependent variable	
	Trust	Satisfaction
Physical aspects	0.176**	0.317**
Reliability	0.147*	0.159*
Personal Interaction	0.218**	0.220**
Problem-solving	0.042	0.109*
Policy	0.381**	0.171**
F value	67.21**	59.59**
R <sup>2</sup>	0.622	0.595
Adjusted R <sup>2</sup>	0.613	0.585

\*\* p<0.01, \* p < 0.05

The R square value indicated that 62.2% of variance in trust can be explained by the 5 variables ( $R^2=0.622$ ;  $F=67.208$ ;  $p<0.05$ ). The regression results in Table 5 also showed that physical aspects ( $\beta=0.176$ ;  $p<0.05$ ), reliability ( $\beta=0.147$ ;  $p<0.05$ ), personal interaction ( $\beta=0.218$ ;  $p<0.05$ ) and policy ( $\beta=0.381$ ;  $p<0.05$ ) are significant determinants for trust. On the other hand, problem-solving ( $\beta=0.042$ ;  $p>0.05$ ) does not have an impact on trust. Thus, only  $H_{1a}$ ,  $H_{1b}$ ,  $H_{1c}$ , and  $H_{1e}$  are supported. Based on the beta values, policy (0.381) seemed to have the strongest effect on trust, followed by personal interaction (0.218) and physical aspects (0.176).

From Table 5 also, it can be seen that all the 5 variables can collectively explain 59.5% of the variance found in satisfaction ( $R^2=0.595$ ;  $F=59.593$ ;  $p<0.05$ ). A closer look at the individual variables show that physical aspects ( $\beta=0.317$ ;  $p<0.05$ ), reliability ( $\beta=0.159$ ;  $p<0.05$ ), personal interaction ( $\beta=0.22$ ;  $p<0.05$ ), problem-solving ( $\beta=0.109$ ;  $p<0.05$ ) and policy ( $\beta=0.171$ ;  $p<0.05$ ) are significant determinants for satisfaction. Hence,  $H_{2a}$ ,  $H_{2b}$ ,  $H_{2c}$ ,  $H_{2d}$ ,  $H_{2e}$  are accepted. Among the variables, it can be seen that physical aspects ( $\beta=0.317$ ) is the most important variable in determining a customer's satisfaction towards the store. This is followed by personal interaction ( $\beta=0.22$ ) and policy ( $\beta=0.171$ ).

### DISCUSSION AND IMPLICATIONS

The results obtained showed that trust is influenced by four main factors, namely physical aspects, personal interaction, policy and reliability. Contrary to popular belief, problem-solving is not a significant influencer for trust. This could probably be due to the fact that Malaysians are used to the fact that most stores in Malaysia generally do not accept returned or exchanged goods through their "goods sold are not returnable or exchangeable policy" or even to expect the employees of the store to handle their complaints professionally.

Of all the four variables mentioned, policy is found to have the strongest impact on trust, even more than personal interaction. Personal interaction comes in second followed by physical aspects. Although personal interaction with the employees or salespeople in the store still contribute to the building of trust, customers nowadays are more skeptical towards salespeople. Some might even be put off by the friendliness and

helpfulness of the salespeople, dismissing the mannerisms as somewhat annoying. It is rather difficult to shift the society's mentality of stereotyping salespeople as pushy, persistent and irritating. Nevertheless, the salespeople in the store still play a vital role in building trust with customers through their courtesy, knowledge, ability to assist, to provide prompt service and the like.

For customers, what is most important is the store's policy, which is the set of strategies, procedures and guiding principles that the store operates under. Customers look for stores that offer high quality merchandise, located at strategic places with ample parking spaces (e.g. major shopping malls), offers flexible payment methods such as payment through credit card and convenient operating hours. Physical aspects such as clean and ample fitting rooms or perhaps a spacious and attractive store layout will definitely boost the confidence of the customers whereby unconsciously instilling their trust towards the store.

Generally, all 5 variables consisting of physical aspects, reliability, personal interaction, problem-solving and policy are able to influence satisfaction. However, for satisfaction, the most important variables are physical aspects, followed by personal interaction and lastly policy. Customers tend to look more towards the physical aspects of the store because an attractive display of clothes with a neat and tidy appearance will surely enhance the shopping experience of the customers. This complies with the findings of Baker et al (1994) and Darden et al (1983) who discovered the physical attractiveness of a store has higher correlations with the customers' patronage decisions. Customers who are able to shop in ease and comfort will leave the store feeling satisfied.

As expected, personal interaction plays a crucial role in providing customer satisfaction because the retail clothing business involves salespeople of the store servicing the customers. Also, customers will be very much pleased and contented if the store practices good and fair trading policies, as agreed by Westbrook (1981), Mazursky and Jacoby (1985), Oliver (1981) and Dabholkar (1996).

As a whole, retailers should take into consideration all the five important variables of physical aspects, reliability, personal interaction, problem-solving and policy in their conduct of business as the results have indicated that all the five dimensions are positively related with trust and satisfaction, except for problem-solving which was not found to have any relation with trust. Although Malaysians nowadays generally don't expect stores to have return or exchange policy, this does not mean the company should turn a blind eye to this aspect. Having effective problem-solving methods (which includes the professional way of handling customer complaints) should be integrated into the store's operations, as having this element around will definitely enforce the customer's overall trust and satisfaction towards the stores. Nonetheless, retailers should pay closer attention to the three of the most important factors, policy, personal interaction and physical aspects.

## LIMITATIONS

Firstly, there was a limited number of respondents (211 respondents) due to time constraints. A larger number of respondents would reflect a more accurate study. Also, the respondents were limited to a target population (Penang).

Secondly, the number of respondents in certain groups of the demographics variables were not even (e.g. under the income variable, there are 181 respondents who are not working while only 3 respondents are in the more than RM 2000 group. This in turn may result in the misrepresentation of certain groups and lead to less accurate results. Also there were more females than males and more Chinese than other races which limits generalization.

## CONCLUSION

In conclusion, this study has shown that all the customer-firm interactions of physical aspects of the store, reliability of the store personnel, personal interaction given, the problem-solving and also policies practised by the store will influence trust and satisfaction. To stay competitive and profitable in the long run the retailers have to leverage on this customer-firm interactions to enhance relationship quality which in turn may lead to loyalty and customer retention.

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