RETAIL QUALITY MODEL CONSTRUCTION FOR CUSTOMER SATISFACTION AND LOYALTY: A STUDY OF RETAIL BUSINESSES IN BALI INDONESIA

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Abstract

Retail companies all this time have conducted traditional marketing activities which then now start to get unrivalled. If they do not want to make any changes, they will be replaced by modern retail businesses, including retail business in the field of textile. This research aims to measure effects of textile retail business on satisfaction to improve customer loyalty. This research was conducted in textile business in Denpasar Bali Indonesia with type of quantitative research with Structural Equation Modelling (SEM) as the test tool, and Partial Least Square (PLS) as the research approach. This research found out that retail service quality and retail product quality as two essential variables determining the retail quality. These findings also indicate that there is no direct significant effect of retail service quality on customer loyalty. Retail service quality will be able to improve customer loyalty if the customers significantly obtain satisfaction. While, retail product quality is significantly able to affect directly on customer satisfaction and loyalty. This research implication in the context of medium economic segment, the product quality is

more determining than the service quality to stimulate customer loyalty. Though the service quality plays an important role, but it is necessary for more attention at the product quality in running retail textile business for medium economic segment.

Keyword: Service quality, product, satisfaction, Bali, consumer, loyalty, textile, retail

INTRODUCTION

Business in this global era is indicated by the increasingly high competition intension in a specific industry both retail and wholesale; there is a massive competition in national and international level. International investment not only can be seen in wholesale sector, but also in the level of small retail, such as small retail shops, art shop, stalls and e-commerce. Retail companies all this time have conducted traditional marketing activities which then now start to get unrivalled. If they do not want to make any changes, they will be replaced by modern retail businesses, including retail business in the field of textile.

Recently, customers are faced by increasingly various options in finding out textile companies or textile material shops. These phenomena indicate increasingly competitive competition among textile retail companies, as a result, the textile companies with retail business which all this time are managed traditionally are driven to change the business into more innovative, dynamic, competitive business; they are also required to have ability and willingness to attract customer intension to visit their businesses.

There are a number of studies in the field of retail using SERVQUAL to predict customer satisfaction. The results are not overall significant. An expectation and perception gap-based study indicates negative disconfirmation but provides positive effects on the satisfaction. The study results indicate that customer perception yet meet customer expectation, but the customers state their satisfaction on the service (Martin, 2016).

The SERVQUAL model has been assessed to be inefficient to cover all aspects of construction since it ignores result quality aspect and most are based on quality of service functional (Mittal *et al.,* 2015). SERVQUAL uses gap between perception and expectation, but it is proven that perception size has stronger predictive strength than gap score (for example; Cronin dan Taylor, 1992). Another critic on SERVQUAL is that the gap model only measures pre-process segment (expectation) and post-process segment (perception). Measurement of service process must cover three segments of consumption experiences: pre-process, process and post process (Babinand Griffin, 1998; Singh, 1990; Vandamme and Leunis, 1993).

This research offers other alternatives to measure service quality performance in the field of retail namely Retail Service Quality Scale (RSQS) model that is developed particularly in the field of retail. This research has high level of urgency regarding there is a very limited retail research in the field of textile in Bali, meanwhile there is a very high level of demand on textile by public customers in Bali.

Problem formulation proposed in this research is as follow:(1) is there any effect and what is the level extent of retail service quality effects on customer satisfaction? (2) is there any effect and what is the level extent of retail product quality effect on customer satisfaction? (3) is there any effect and what is the level extent of customer satisfaction on customer loyalty? (4) is there any effect and what is the level extent of retail product quality effect on customer loyalty?, and(5) is there any effect and what is the level extent of retail service quality effect on customer loyalty?

LITERATURE REVIEW

Customer Loyalty

There is yet any universally acceptable definition of customer loyalty (Dick and Basu 1994; Oliver 1999). Customer loyalty is often called as a consequence of all experiences faced by the customers in term of product or service provider (Mascarenhas *et al.*, 2006); this creates behaviour and attitude commitment. Both forms of commitment are used to understand customer loyalty.

Customer loyalty from the perspective of attitude describes that there will be loyalty when there is positive or profitable trust at certain product (Agustin and Singh 2005; Jacoby and Kyner 1978; Johnson *et al.,* 2006). One can be positive at a brand but by technical, psychological and economical obstacles, then there is no purchase intension behaviour. Customer loyalty from the perspective of behaviour is shown by customer tendency to purchase certain brand based on former purchase behaviour pattern (Russell and Kamakura 1994; Tellis 1988). Loyalty behaviour is customer strong commitment to purchase product or service though there are other alternatives in the market (Lenka *et al.,* 2009).

Based on both perspective of loyalty, there are four possibilities, namely: customers with strong attitude at the brand but it is not supported by the behaviour; customers have behaviour but it is not supported by strong attitude; customers have no attitude and behaviour of purchase; the last; customers have strong attitude and are supported by purchase behaviour. Ideal measurement is having strong attitude and behaviour. There will be true loyalty if it is supported by strong commitment at the brand (Day, 1969; Jacoby and Chestnut, 1978; Foxall and Goldsmith, 1994; Reicheld, 1996; Mellens *et al.,* 1996), then, it causes unstoppable purchase

behaviour. So, measurement of customer loyalty in various empiric studies combines elements of attitude and behaviour tendency.

Customer Satisfaction

The definition of customer satisfaction according to Howard and Sheth (1969) is customer cognitive situation related to the compatibility or incompatibility between the results obtained and the scarification given by the customers.

Based on the definition of customer satisfaction that has been described, there are two approaches to understanding customer satisfaction. The first approach is based on the confirmation approach to expectations (Parasuraman *et al.,* 1988; Zeithaml *et al.,* 1996) is based on a comparison of the level of customer expectations related to product performance, with customer perceptions of what the customer has actually experienced. The second approach is based on the customer perception approach to the performance that has been felt after an evaluation post the transaction (Oliver, 1997).

Retail Quality

Retail product quality

According to the American Society for Quality, quality is; "all features and characteristics of products or services that are able to satisfy both visible and disguised needs". There are two important issues presented in the quality definition above, namely; from the user angle and producer angle.

According to Heyzer and Render (2009: 301) the definition or understanding of quality can be seen from the perspectives as follow; (a) User-based quality; producers design quality based on their audiences or users, (b) quality-based manufacturing; quality means meeting standards and making products correctly from the start, and (c) product-based quality; looking at quality as a precise and countable variable, for example ice cream is seen as high quality if it has high fat content.

The three approaches to the quality above have a related thread. First, identification of the quality characteristics (user approach) must be done first, then translated into specific product attributes (product-based quality approach); then, the manufacturing process (manufacturing-based quality approach) (Heyzer and Render, 2009: 301).

Garvin (1984; 1987) viewed eight product quality dimensions: performance, features, reliability, suitability, durability, ease of service, aesthetics and perceived quality.

Retail service quality

It is greatly hard to describe service quality as describing quality of goods. This difficulty is caused by intangible service. Level of service quality is greatly determined by its delivery process to meet customer expectation.

There are two dimension of service quality, namely; (a) technical quality is service output perceived by the customers, (b) functional quality is quality of service delivery or service transfer process (Gronroos, 1990).Both dimensions are greatly determined by its quality level based on customer perception. Thus, Berryet *et al.* (1985 and 1988) and Gronroos (1984) offered definition: "perceived service quality is global assessment of service and its results from customer comparison on the expected service with their perception on actual service performance ". If there is any lack, there will be negative gap of service quality in customer mind. Such condition indicates less service quality.

The quality dimensions of retail service have similarities to the SERVQUAL dimension because the quality of retail services is a reflection of SERVQUAL (Dabholkar *et al.,* 1996). There is a development because of the view that SERVQUAL characteristics for measuring service quality are still general, so it is considered necessary to develop it so that it can operationally function specifically in retail service quality.

A study by Dabholkar *et al.* (1996) identified five dimensions forming the quality of retail services, namely; (a) Physical aspects (b) Reliability (c) Personal interaction (d) Problem solving (e) Policy.

HYPOTHESES

Effects of retail goods quality on satisfaction

The relationship between product quality and customer satisfaction is getting more and more attention from various empirical studies in the context of retail. If shopping experience provides quality based on conformity with customer ratings, this will lead to a tendency towards product satisfaction (Huddleston *et al.,* 2009). Empirical studies show that, in addition to prices, product diversity, and employee services, the quality of goods sold also has an influence on customer satisfaction with the store (Huddleston *et al.,* 2009). Similar studies have also been proven by Saeheng, (2014) that product quality determines customer satisfaction at a retail store. Based on the empirical results concerning the relationship between product quality and customer satisfaction, the following research hypothesis can be prepared:

H1: Product quality sold in retail shops has positive significantly effect on customer satisfaction level.

Effects of retail service quality on satisfaction

There is an increasingly customer loyalty in line with the increasing high service quality (Xu*et al.,* 2011). In the retail context, majority of retail service quality dimensions can build customer loyalty (Yuen, and Chan, 2010), in the form of there are proportionally more number of customers making purchases in their chosen stores than customers who switch (Knox and Denison, 2000), and customers are more willing to spend larger amounts than customers who are less loyal (Baldinger and Rubinson, 1996).

Not all dimensions of service quality have a significant positive direct relationship with customer satisfaction. The results of Zhou's study, (2004) found out that retail banks only have reliability and assurance giving significant effects on customer satisfaction. Nevertheless, majority of other empirical studies state that service quality has been shown to have a significant positive relationship with customer satisfaction (Ahmad and Naser 2002). Service quality in banking retail services has a positive effect for customer satisfaction (Nimoh-Brema, 2009), as well as the quality of online product logistic services has a strong positive effect on customer satisfaction (Hu *et al.,* 2016). Another research on the effect of service quality in retail stores by Sivadas and Baker-Prewitt (2000) found out that service quality affects on the satisfaction at retail stores.

Based on the exposure of the relationship between service quality and customer satisfaction, it can be stated that better quality of retail store service will lead to more satisfied customers at the retail store are concerned. Furthermore, the hypothesis of the relationship between the quality of retail services and customer satisfaction can be arranged as follow;

H2 : Retail service quality has positive effects on customer satisfaction

Customer satisfaction and loyalty

Marketing concept also establishes that in achieving sustainable success, an organization must identify and meet customer needs and willingness in a more effective manner than its competitors (Drucker, 1954; McCarthy, 1960; Day, 1994). Marketing concept has stated that more satisfied customers will lead to more increased customer loyalty. Though there is also finding stating small portion of variance on satisfaction towards customer satisfaction (Kumar *et al.,* 2013), customer satisfaction concept on the loyalty has been proven by majority of empirical studies, these state direct effects of customer satisfaction and loyalty (Kaura *et al,* 2015; Sahin Dölarslan, 2014; Bolton and Drew, 1991; Boulding *et al.,* 1993; Bolton and Drew, 1991; Siuand Cheung, 2001; Pizam and Ellis , 1999; Cronin *et al.,* 2000; Athanassopoulos, 2000; Torres-Moraga *et al.,* 2008; Surabrata *et al.,* 2018). There is a study relating satisfaction with customer

loyalty in the retail context and it has been shown to have a significant positive relationship (Kursunluoglu, 2014).

Construction satisfaction for most of the researches that predicts customer loyalty is largely conceptualized as cumulative satisfaction, compared to the satisfaction of specific transactions (Harris and Goode, 2004). This is because overall satisfaction is relatively more stable than satisfaction of specific transaction (Parasuraman *et al.,* 1994). Based on empirical studies that show a positive relationship of satisfaction with customer loyalty, a hypothesis can be prepared as follows;

H3: Customer satisfaction has positive effects on customer loyalty.

Effects of retail product quality on customer loyalty

The effect of compatible quality to customer expectation, both from perspective of goods or service is the customer satisfaction. There are many evidences showing that customer perception on the quality of a product positively affects on purchase decision (Sawyer and Dickson 1984; Zeithaml 1988). In the context of business, retail shows that, supermarkets with high-quality product labels, get larger benefits in the form of loyalty to retail store brands (Corstjens and Lai, 2000). The results of this study indicate that customer perceptions of retail product quality affect on customer loyalty to retail stores. Based on the results of the empirical study, it can formulate the hypothesis formulation on the effect of retail product quality on customer loyalty as follows.

H4: Retail product quality has positive effects on customer loyalty at the retail store.

RESEARCH METHODOLOGY

The research was conducted at Kencana Textile Retail Store, that was established in 1994 in Denpasar, Bali. Kencana Textile has consistently carried out development of improved service performance, but faced an increase in return of goods from 2015 to 2017 (see Appendix B) in line with the increased number of complaints per month of 2017 (see Appendix A). This study used a quantitative method design to test models that have been developed through inferential statistics by utilizing Structural Equation Modeling (SEM), with the Partial Least Square (PLS) approach.

The population of this study is active customers in the period of 2015-2017 that are recorded in the company's book namely there are 65 customers as the population. The nature of population size is classified as the limited one since it is shown in the context of this study that is categorized as a saturated population, so that the entire population of 65 customers are used as the research samples.

There are five latent variables which are involved to be the model in this study namely; Retail Product Quality (X1), its indicators are developed from the quality concept of Garvin, (1984; 1987); Retail Service Quality (X2), its indicators are adopted from Dabholkar *et al.* (1996); Customer Satisfaction (Y1), its indicators are adopted from Kuan-Yin *et al.,* (2007); Loyalty at the Shote (Y2), its indicators are adopted and developed from various sources such as Albarq (2013), Osman and Santosa (2013), Auka and Bosire (2013), Poku et. al., (2013). All items as the research instruments use a seven-point Likert scale ranging from strongly disagree (1) to strongly agree (7).
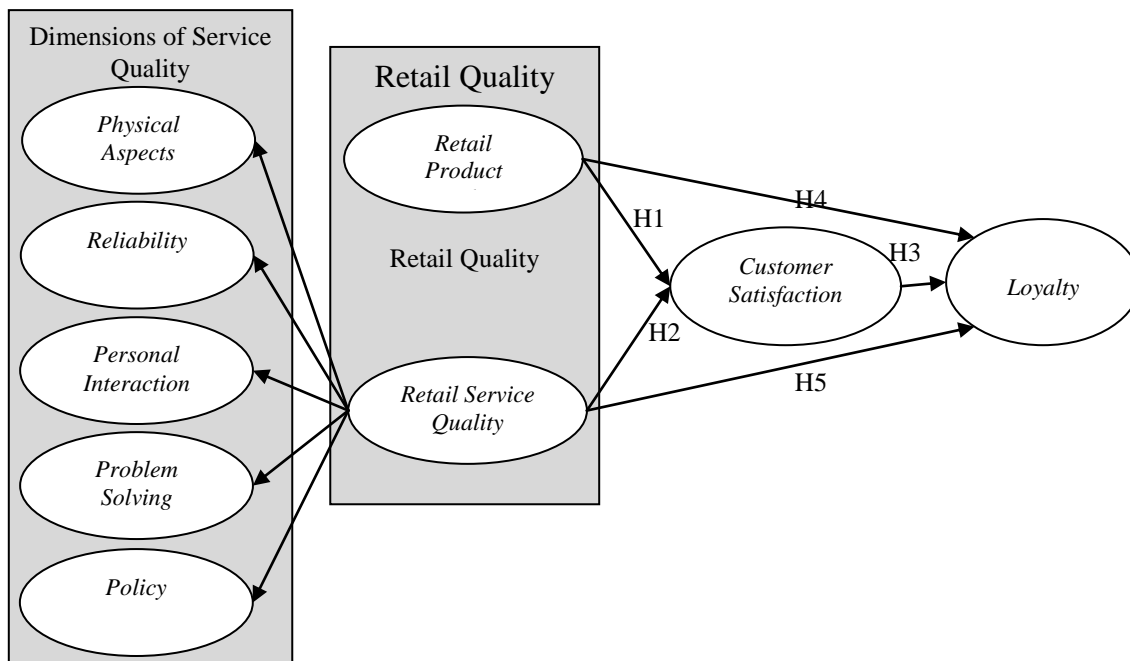

Figure 1. Research Framework and Hypotheses

RESULTS AND DISCUSSIONS

The reliability coefficient value of 0.70 is often considered as a consistent scale criterion, a minimum alpha value of 0.60 is considered sufficient for new or under-developed scales to obtain validation (Nunnally, 1978). The output obtained shows that the loading factor is more than 0.60, this value describes that all indicators forming the construct in this study can be considered valid to meet the criteria of convergent validity (Hair *et al,* 2006).

Evaluation of the average variance extracted value in Table 1 shows the minimum criteria required for AVE values are at least 0.50. AVE value in this study shows above 0.50 meaning that most of the outer values of this research model meet the requirements of convergent validity (Fornell and Larcker, 1981).

Table 1. Average variance extracted Value

	AVE	√AVE	Composite Reliability (> 0.60)	Result R-Square	
				R-Square	Criteria*
Customer Loyalty (Y2)	0,828	0,910	0,950	0.926	strong
Customer Satisfaction (Y1)	0,828	0,910	0,951	0.921	strong
Personal Interaction (X2.3)	0,689	0,830	0,952	0.901	strong
Physical Aspects (X2.1)	0,610	0,781	0,903	0.804	strong
Policy (X2.5)	0,684	0,827	0,915	0.864	strong
Problem Solving (X2.4)	0,808	0,899	0,927	0.856	strong
Reliability (X2.2)	0,672	0,820	0,911	0.873	strong
Retail Product Quality (X1)	0,761	0,872	0,941	0.926	strong
Retail Service Quality (X2)	0,588	0,767	0,976	0.921	strong

Note : *= criteria Chin, (1998),Hair, *et al.* (2011),Henseler*et al.*(2009);

Source: PLS data processing results, 2018

Table 1 shows that all values of Average Variance Extracted (AVE) are more than (>) 0.50; the variables and dimensions meet the requirements of discriminant validity (Fornell and Larcker, 1981). Composite reliability is said to be good if it has a value above 0.70. The value of Composite reliability obtained in this study is above 0.70 so that it matches the criteria of Nunnally (1978).

Analysis of determination coefficient (R^2) is a measure of accuracy for model predictions. This effect value ranges from 0 to 1. A value of 1 represents full predictive accuracy (Hair, *et al.,* 2014). R2 valuesof 0.75, 0.50 and 0.20 illustrate strong, moderate and weak (Hair *et al.,* 2011; Henseler *et al.,* 2009). The results of (R^2) in this study show strong category.

Inner model evaluation results based on Q-Square predictive relevance analysis is obtained to determine the appropriate level of observation value and parameter estimation produced by the model. If the Q-Square value is > 0 then, the model has relevant predictive. Conversely, if Q-Square has a value equal to or below 0 then, the model shows less relevant. The results of Q-Square predictive relevance in this study are obtained at 0.978 or 97.80%. The model formulation provides excellence meaning, namely 97.80% that can be explained by the model, while 2.2% is explained by other factors that have not been identified in the study and include error factors. This evaluation explains that, the constructs involved in the model have very good categories.

Hypotheses Test Results

Analysis results of structural model indicate relationship between latent variables that are adopted as the concept in this research model as shown in Figure 2 and Table 2. Test results of 1st hypothesis show that retail product quality (X1) is proven to have positive effects on customer satisfaction that can be seen from the path coefficient value by 0,750 with significance level $p < 0,000$. 1st hypothesis is accepted.

2nd hypothesis show path coefficient value by 0.227 with significance level of $p < 0.036$, 2nd hypothesis is accepted. Hypothesis test results describe that *Retail Service Quality* (X2) variable has positive significantly effects on *Customer Satisfaction* (Y1).

3rd hypothesis show path coefficient value by 0. 663 with significance level of $p < 0. 000$, 3rd hypothesis is accepted. Hypothesis test results describe that *Customer Satisfaction* (Y1) variable has positive significantly effects on *Customer Loyalty* (Y2).

4th hypothesis show path coefficient value by 0. 325 with significance level of $p < 0. 024$, 4th hypothesis is accepted. Hypothesis test results describe that Retail Product Quality (X1) variable has positive significantly effects on *Customer Loyalty* (Y2).

5th hypothesis show path coefficient value by -0.017 with significance level of $p > 0,05$, 5th hypothesis is rejected. Hypothesis test results describe that Retail Product Quality (X1) variable has significantly no effects on *Customer Loyalty* (Y2).
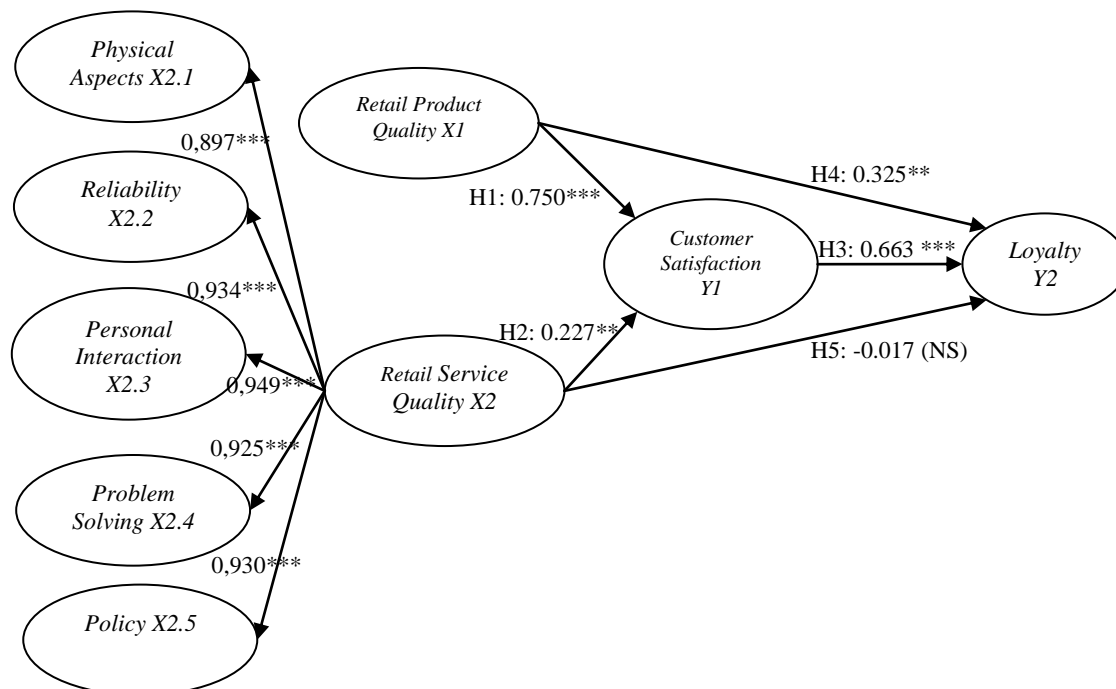

Figure 2. Hypotheses Test Results

Note : ***= significant level $p < 0.000$; **= significant level $p < 0,05$; NS = Not Significant

Table 2: Path Values and Hypotheses Test

Path	Original Sample	P Values	Hypothesis	Remark
Customer Satisfaction (Y1) -> Customer Loyalty (Y2)	0.663	0.000	H3	Accepted
Retail Product Quality (X1) -> Customer Loyalty (Y2)	0.325	0.024	H4	Accepted
Retail Product Quality (X1) -> Customer Satisfaction (Y1)	0.750	0.000	H1	Accepted
Retail Service Quality (X2) -> Customer Loyalty (Y2)	-0.017	0.864	H5	Rejected
Retail Service Quality (X2) -> Customer Satisfaction (Y1)	0.227	0.036	H2	Accepted

Source: PLS data processing results, 2018

Mediation Analysis

Baron and Kenny (1986) mentioned three types of mediation effects. There is partial mediation if exogenous variable (X) significantly relates to mediation variable (M), and mediation variable (M)also significantly relates to endogenous variable (Y), but, the level of direct effect related to X on Y is decreased by adding M. the second type of mediation effects is full mediation. There will be this effect if there is insignificantly direct relationship between X and Y variables when M variable is inputted in the model, meanwhile relation of X to M and M to Y are both significant. The final type can be done the mediation if the M variable does not change significance and the level of effect relationship between X and Y variables (Awang, 2012; Meyers *et al.,* 2013).

The analysis results of the mediating role of the customer satisfaction variable in this study, support previous research, stating that customer satisfaction mediates in full (full mediation) the effects of service quality on customer loyalty (I Gede Mahatma YudaBakti and Sumaedi, 2013; Kaura *et al*, 2015; Vu and Huan, 2016; Stan *et al.,* 2013). Table 3 shows that retail service quality has an insignificant effect on customer loyalty, meaning that customer loyalty cannot be directly influenced by retail service quality even though using mediation or without mediating variable of customer satisfaction. This finding provides an explanation that there will be customer loyalty if the management is able to ensure that service quality can provide satisfaction to its customers. If the quality of service does not provide satisfaction, it is very possible for customers not to choose Kencana Textile Shop to buy textiles. Based on the results of this analysis, Kencana Textile must continue to improve the quality of its services in order to create customer loyalty directly.

Table 3: Path Values Without Customer Satisfaction Variable Mediation

| Path	Original Sample	T Statistics	P Values	Remark
Retail Product Quality X1 -> Customer Loyalty Y2	0.825	6.849	0.000	*significant*
Retail Service Quality(X2) -> Customer Loyalty Y2	0.132	1.038	0.300	*In-significant*
Retail Service Quality -> Personal Interaction X2.3	0.949	66.605	0.000	*significant*
Retail Service Quality -> Physical Aspect X2.1	0.897	33.799	0.000	*significant*
Retail Service Quality -> Policy X2.5	0.930	55.025	0.000	*significant*
Retail Service Quality -> Problem Solving X2.4	0.925	53.837	0.000	*significant*
Retail Service Quality -> Reliability X2.2	0.934	46.619	0.000	*significant*
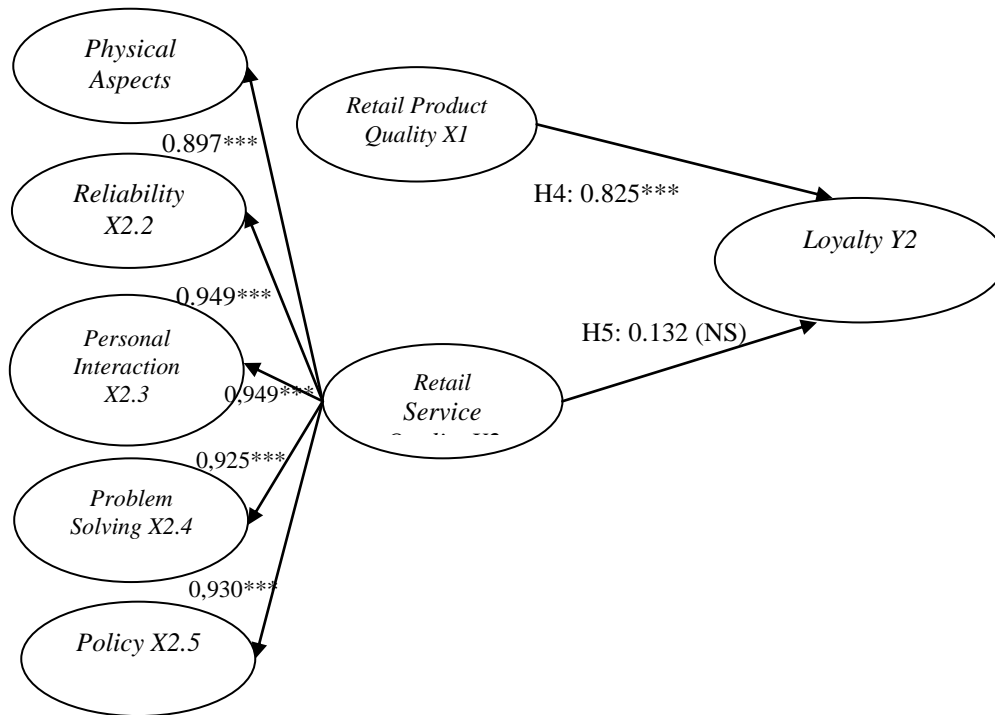
Figure 3: Effect of Retail Quality on Loyalty by Eliminating Customer Satisfaction Mediation Variable

Analysis of mediating role of customer satisfaction variable on the relation of retail product quality on customer loyalty indicate *partial* mediation role. This means that textile product sold by Kencana Textile can affect directly on customer loyalty and there will be loyalty when there is customer satisfaction. Most of conditions by collected respondents as the samples have income in below level and average education level of Senior high school. This segment characteristic prioritizes product quality than service quality with cheap price.

Table 4: Recapitulation of Mediation Variable Testing Results

Mediation Variable *Customer Satisfaction* (Y1) pada:	Model				
	A (X-M-Y) using mediation	B (X-Y) without mediation*	C (X-M)	D (M-Y)	Remark
Retail Product Quality →Customer Loyalty	0.325 (Sig.)	0.825 (Sig.)	0.750 (Sig.)	0.663 (Sig.)	Partial mediation
Retail Service Quality→Customer Loyalty	0.143 (Not Sig.)	0.132 (Not Sig.)	0.227 (Sig.)	0.663 (Sig.)	Full mediation

Note: X=exogenous variable; Y=endogenous; M=mediation variable.

Analysis of Total Effects

Table 7 shows that the direct effects, indirect effects and total effects of each construct of independent variables on dependent variables. Results of this research describe that retail product quality (X1) has the biggest total effects on customer loyalty (Y2) with total of path value by 0.822. The total value is caused by indirect effect by 0.497 through the customer satisfaction (Y1). The following biggest total value is Retail Product Quality (X1) on Customer Satisfaction by (Y1) 0.750 as the direct relationship.

Relation of Retail Product Quality (X1) effect on Customer Satisfaction (Y1) describes direct effect analysis. An independent variable compared with other independent variable is said to have dominant effects on dependent variable if it has the biggest path coefficient (Hair, *et al.,* 2010:651). For clear description on total effects, direct effect and indirect effect values, it can be seen in Table 5.

Overall set of description that is resulted in this total effect analysis describe that the customers more take into account the quality of goods than the service quality in determining purchase selection.

Table 5: Direct, Indirect and Total effects

Path	Direct effect	Indirect effect	Total Effect	
			Path	P Values
Customer Satisfaction (Y1) -> Customer Loyality (Y2)	0.663	-	0.663	0.000
Retail Product Quality (X1) -> Customer Loyality (Y2)	0.325	0.497	0.822	0.000
Retail Product Quality (X1) -> Customer Satisfaction (Y1)	0.750	-	0.750	0.000
Retail Service Quality (X2) -> Customer Loyality (Y2)	-0.017	0.151	0.134	0.286
Retail Service Quality (X2) -> Customer Satisfaction (Y1)	0.227	-	0.227	0.036

DISCUSSIONS

Hypothesis test results show retail product quality has significant effects on customer satisfaction. Better product quality will lead to more increased customer satisfaction. Hypothesis test results of this study support various existing empirical concepts and findings explaining that the quality of goods has a positive effect on customer satisfaction (Sun *et al.*, 2016; Huddleston et al., 2009).

Retail service quality has a significant effect on customer satisfaction. Better service quality will lead to more increased customer satisfaction. Hypothesis test results of this study support various existing empirical concepts and findings explaining that the quality of service has a positive effect on customer satisfaction (Cronin and Taylor, 1992; Kursunluoglu, 2014; Sivadas and Baker-Prewitt 2000; Wei-Ming *et al.,* 2011) .

Service quality is an important antecedent of customer loyalty (Vu and Huan 2016). Customer satisfaction is an important antecedent of customer loyalty (Vu and Huan 2016). I Gede Mahatma YudaBakti; Sumaedi, (2011) found out that customer satisfaction has a significant positive effect on customer loyalty (Martín-Consuegra, 2007). The results of this study indicate support for these findings stating that customer satisfaction on service and quality of retail products affect on the customer loyalty at Kencana Textile Store. More satisfied customers will lead to more customer loyalty towards Kencana Textile Store. The results of this study indicate the importance of developing customer satisfaction programs to encourage customer loyalty. This is supported by an empirical study (Omar, *et al.,* 2013).

Results of hypotheses test indicate that retail product quality affects significantly on customer loyalty. Better textile product quality will lead to more increased customer loyalty. Hypothesis test results of this study support various existing empirical concepts and findings explaining that the quality of products has a positive effect on customer loyalty (Corstjens and Lai, 2000).

Results of hypotheses test indicate that retail product quality is yet proven to have effects on customer loyalty. Hypothesis test results of this study do not support various existing empirical concepts and findings explaining that the quality of service has a positive effect on customer loyalty (Sivadas and Baker-Prewitt 2000; Kajenthiran, 2018, Al Chalabi *et al.,* 2017; MohdMokhtar *et al.,*2016). Service quality is the important antecedent of customer loyalty (Vu and Huan 2016) can yet prove in the case of Kencana Textile customer. It is necessary to anticipate this insignificant result by improved model or service program development more than the program that is used as the measuring tools. To strengthen the customer loyalty, it is necessary to improve current employee and prospective interaction skills through accurate selection, training and motivation (Yavas and Babakus, 2009).

This finding can be caused by the majority of respondents are middle to lower economic segments; their behaviour prioritizes product quality compared to service quality in purchase activity at Kencana Textile. The results of this study strengthen the findings by Fotiadis and Kozak, (2017) stating that, demographic characteristics significantly affect on customer perceptions that tend to evaluate any factors related to service quality.

This finding leads to an assumption that needs to be studied further, about higher level of income will lead to greater appreciation to include the quality of service in purchase choices. On the contrary, lower income will lead to greater attention given to product quality than service quality.

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CONCLUSION

It is necessary to conduct model development of retail service quality instrument for further research, regarding the insignificant direct effects on customer loyalty that is obtained by this study. The results of this study have strengthened the existing empirical theories and findings, especially studies that prove service quality and retail product effects from the category of textile retail stores. For the study of textile retail stores in Bali, the first empirical study is conducted, so that the results of this study greatly contribute ideas in the development of science related to this research model.

This research has limited time, so that it greatly affects on data collection in the field. It is necessary for further research in broader scope of time so that it can represent customer condition related to their income fluctuation. Further researches are greatly expected to use retail product quality model to be used for art products. This suggestion is based on consideration of reflective indicators involved, containing aesthetic elements such as textiles.

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APPENDICES

Appendix A: Forms of Customer Complaints at Textile Denpasar Bali in 2017

Forms of complaints	Total
Less good product quality	34
Employee impolite attitude	6
Less employee knowledge on the sold products	11
Delivered goods are not based on the orders	15
Goods delivery takes longer time	28

Appendix B: Number of Return goods in Kencana Textile Company in 2015-2017

Month	Total Return (per unit)		
	2015	**2016**	**2017**
January	12	6	9
February	15	14	14
March	7	10	16
April	8	23	17
Mei	18	14	8
June	9	11	19
July	16	11	16
Augustus	11	9	15
September	9	13	13
October	11	17	14
November	13	9	12
December	14	15	11
TOTAL	143	152	164

Sources: Kencana Textile 2017

Appendix C: Result of PLS Analysis
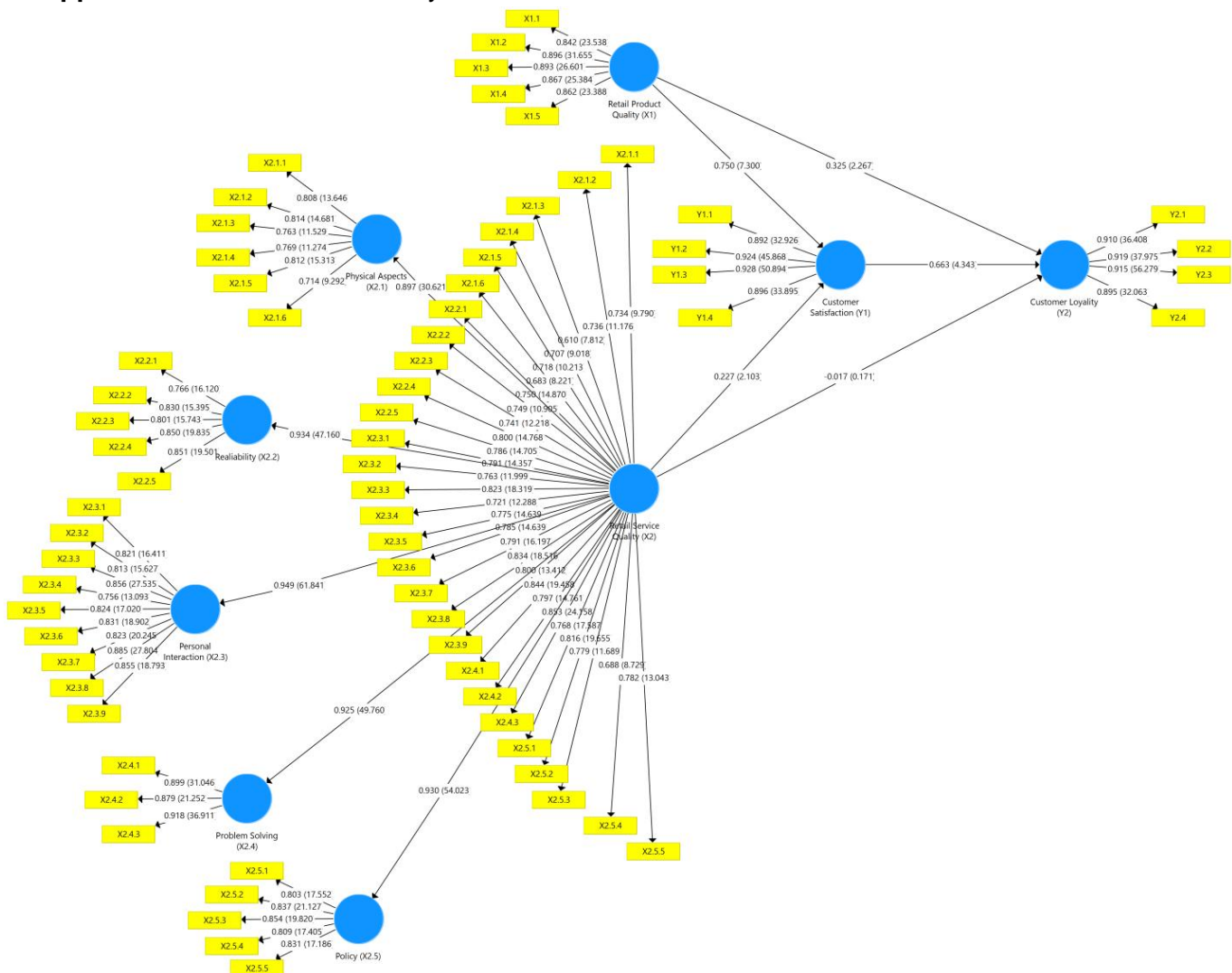
Appendix D: Result of Analysis PLS without mediation of Customer Satisfaction