MEDIATING ROLE OF CUSTOMER SATISFACTION ON SERVICE QUALITY AND CUSTOMER LOYALTY IN GROCERY STORE IN SHOPPING MALLS IN SAUDI ARABIA

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MEDIATING ROLE OF CUSTOMER SATISFACTION ON SERVICE QUALITY AND CUSTOMER LOYALTY IN GROCERY STORE IN SHOPPING MALLS IN SAUDI ARABIA

By

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ABSTRACT

With a robust economic growth and a young population, Saudi Arabia is presently witnessing a high consumer’s demand in the food and grocery sector. This has led to a transformation of its retailing industries from the aspect of small and unorganized markets to palatial grocery stalls in the shopping malls. As the number of choices for these markets increases with the entry of new players, retailers need to understand the customers’ perceptions of the quality of services and products offered. This is crucial towards the survival and competitiveness in the market. The determinants of service quality vary in different industries, countries and individuals. The demographics and lifestyles of customers have been identified as the determinants of service quality. However, the studies done on these two factors are limited in Saudi Arabia. Thus this research attempts to examine the effect of perceived service quality on customer loyalty through mediation of customer satisfaction in the Saudi Arabia grocery store industry. Quantitative research method was employed. This research was conducted at selected major shopping malls in three cities in Saudi namely Riyadh, Jeddah, and Dammam. This is because the total number of people living in these three cities represented 60% of the total population of Saudi. Eight hundred questionnaires were distributed but only 408 questionnaires were found to be useable, yielding a response rate of 51%. The findings revealed that there is a direct relation between perceived service quality and customer loyalty. The findings also showed that a relationship has existed between perceived service quality and customer satisfaction and that the customer satisfaction partly mediated the relationship between the perceived service quality and the store loyalty. The study concludes with some recommendations that can be used to guide the retailers in Saudi Arabia in managing their stores’ service quality and loyalty.

Keywords: perceived service quality, customer satisfaction, customer loyalty, grocery retailing, Saudi Arabia
ABSTRAK


Kata kunci: tanggapan kualiti perkhidmatan, kepuasan pelanggan, kesetiaan pelanggan, peruncitan runcit, Arab Saudi
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<td>Activities, Interests and Opinions</td>
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<td>AMA</td>
<td>American Marketing Association</td>
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<tr>
<td>CAB</td>
<td>Cognition Affect Behaviour</td>
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<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
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<td>CDV</td>
<td>Customer Desired Value</td>
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<td>CL</td>
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<td>CMA</td>
<td>Capital Market Authority</td>
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<td>ESCI</td>
<td>Emotional and Social Competency Inventory</td>
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<td>GCC</td>
<td>Gulf Cooperation Council</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GRDI</td>
<td>Global Retail Development Index</td>
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<td>HSQM</td>
<td>Hilbert Space Quantum Mechanics</td>
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<td>Hyp</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In Saudi Arabia, the retail sector is one of the fastest growing sectors of the economy. In 2009, the Middle East retail industry has more than US$ 425 billion worth economy (RNCOS Report, 2008). Most of the major retailers in Saudi Arabia have experienced a sound growth since 2008, and their development includes the growth made by shopping malls, superstores, clothes, and fashion retailers, footwear retailers, health, beauty retailers, home appliance retailers (RNCOS Report, 2008). In addition, retailing in general has benefited from Saudi Arabia’s WTO membership and legislation which were introduced since 2000 in order to facilitate direct foreign investments. In 2000, Saudi government liberalised its investment law by allowing 100% ownership of projects by foreigners and thus easing the rules for recruiting foreign employees. The law authorizes foreigners’ for ownership of property and reduces the corporate taxes.

The positive economic out look for Saudi Arabia is expected to support strong growth in retail sales in which rises disposable income levels. Ongoing urbanization will encourage customers, to shift from lower-priced independent players and souks (market), to shopping malls and chains offering wide range of products and a comfortable shopping environment. Considering the grocery retailers, shopping malls and chained fore court retailers are expected to achieve better growth since they have expanded into new areas within the country and have gained CAGR of 10 % to 15% outlet volume (Datamonitor,
The contents of the thesis is for internal user only


Harris, Lloyd C., & Goode, Mark M.H. (2004). The four levels of loyalty and the pivotal role of trust: a study of online service dynamics. *Journal of Retailing*, 80(2), 139-158.


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