LINKING RETAIL SERVICE QUALITY, SATISFACTION AND PERCEIVED VALUE TO CUSTOMER BEHAVIORAL INTENTIONS: EVIDENCE FROM SERBIA

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Introduction

In today's highly competitive marketplace companies' survival and growth call for building and maintaining a solid base of loyal customers. True loyalty has been shown to affect profitability, as loyal customers tend to buy more over time, are less sensitive to price, bring in new customers by spreading positive word-of-mouth and therefore lower company's acquisition costs [28]. In increasingly hostile business environment the focus is shifting from merely selling to customers to serving them effectively [24], whereupon service quality and customer satisfaction take on paramount importance as the main drivers of customer behavior. Literature provides evidence of the impact of service quality on customers' favorable behavioral intentions, i.e. willingness to recommend and repurchase [40] and actual customer behavior in the form of store traffic and sales growth [2]. Research has also supported the purported role of customer satisfaction as a precursor to loyalty [4], [5]. In addition to service quality and customer satisfaction perceived value has been highlighted as a means of creating and sustaining competitive advantage [30]. The reason why many businesses fail is that too much of managerial attention is directed toward short-term profit and too little toward value-creation, which is the key to customer loyalty. The notion of perceieved value as an antecedent to customer favorable behavioral intentions has been empirically supported in a number of studies [10], [5], [30]. Although the constructs of service quality, customer satisfaction, perceived value, their interrelatedness and impact on customer behavioral intentions have been extensively studied across service settings, majority of studies have been conducted in U.S. and western country contexts, whereas relationships among these constructs have been largely under-researched in emerging economies. This especially pertains to Serbia and its retail sector. To the best of our knowledge, no previous study has examined the construct of retail service quality in Serbia, and there is a dearth of research on the relationships among service quality, satisfaction and value and their impact on customer behavioral intentions in Serbian retail sector. On the other side, retailing has gained the status of a key driving force of overall economic development in Serbia since the year of 2000, when major democratic changes occured, followed by the redirection of economic system toward market-based economy. Underdeveloped retail structure, in terms of capacity of selling space, structure and number of stores per 1000 inhabitants and revival of living standard of Serbian citizens have pulled foreign retailers that have significantly influenced retail modernization in Serbia. Changes of retail landscape, as described by Simova [33] in case of Czech retailing, have been gradually taking place in Serbian market as well over previous decade. Due to rising competitive pressures there is a need for retail managers to understand how various factors impact customer loyalty. Information of this kind would be particularly relevant for enhancing customer loyalty through initiatives based on the

determinants of loyalty and their relative impact on customer behavior.

Therefore the objective of this paper is twofold: first, to gain deeper insights into the construct of retail service quality in Serbia and second, to examine relationships among service quality, perceived value, customer satisfaction and their impact on customer behavioral intentions in heretofore unstudied context. The remainder of the paper is organized as follows. The issue of service quality and its measurement, with special reference to the context of retailing has been addressed first, followed by the proposal of conceptual model, involving the determinants of customer loyalty and their hypothesized relationships. The next section describes methodology, including sample characteristics, description of measures and data analysis procedure. Results of the study are presented subsequently, followed by theoretical and managerial implications, limitations of the study and directions for further research.

1. Conceptual Background and Hypothesis Development

1.1 Service Quality and Customer Satisfaction

The constructs of service quality and customer satisfaction have been regarded as the key building blocks of marketing theory and practice and as such they have drawn considerable attention among researchers and practitioners alike. According to the most widely accepted conceptualization of service quality, the construct is defined as "the consumer's judgment about an entity's overall excellence or superiority" [25, p. 8]. Due to distinctive characteristics of services, such as intangibility, heterogeneity and inseparability, service quality cannot be measured in an objective manner, like goods quality. Rather, it is measured as the degree and direction of discrepancy between customers' perceptions and expectations. The most widely applied and examined service quality measurement instrument is SERVQUAL, a 22-item scale addressing five service quality dimensions, reliability, responsiveness, assurance, empathy and tangibles. Although this generic scale has been proven to be valid and reliable measurement instrument in a variety of "pure" service settings, such as banking, long-distance telephone service, insurance [25] its

replication in retail settings led to the conclusion that much refinement of the scale is needed to capture the essence of the service quality construct in retailing [7], [15], [16]. In addition to adjusting measurement instruments taking into account distinctive characteristics of service industries, a number of authors agree on the necessity of adapting measurement scales to socioeconomic and cultural contexts of service industries [41], [17], [12]. On the grounds of distinctiveness of retail services from pure service settings Dabholkar et al. [11] proposed Retail Service Quality Scale (RSQS), diagnostic tool suitable to the context of U.S. department stores. Later on the scale was validated in a variety of retail settings and socioeconomic environments [23] and also provided a framework in the development of CALSUPER scale, instrument for service quality evaluation in Spanish supermarkets [37]. Based on prior studies in the field, the construct of service quality in Serbian grocery retail context has been examined in this study.

According to Tse and Wilton [36, p. 204] customer satisfaction can best be understood as "consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption". It has been conceptualized as a transaction-specific and cumulative construct. Transaction-specific satisfaction relates to customer satisfaction with a discrete service encounter, whereas cumulative satisfaction is a function of all previous experiences with the service provider [20]. Although transaction-specific satisfaction measure may provide specific diagnostic information about a service encounter, it is the overall satisfaction which functions as a fundamental barometer of company's past, present and future performance. Therefore cumulative satisfaction is adopted in this study as well. Behavioral researchers in marketing have developed a rich body of literature investigating relationships among service quality and satisfaction. As both constructs are based on expectancy-disconfirmation paradigm, early research in the services domain argued in support of interchangeability of the constructs [19]. However, expectations in the service quality context refer to customers' wants or desires whereas in the context of satisfaction expectations relate to predictions of what is

likely to happen. Majority of subsequent studies yielded a conclusion that the constructs are clearly distinct, yet related [14], [34]. Contrary to this perspective, Cronin and Taylor [9] in a multi-industry study provide evidence in support of the mediating effect of customer satisfaction in the relationship between service quality and customer purchase intentions. The direction of causality from service quality to satisfaction and its antecedent role to behavioral intentions have been supported across service settings, including retailing [10], [4], [31]. In addition to mediated effect, literature provides evidence of the direct impact of service quality on customer behavioral intentions [40], [34], [42]. However, studying the impact of service evaluation constructs on customer behavioral intentions in a multinational study involving retail grocery customers Brady et al. [4] report differences regarding the impact of service quality on customer behavioral intentions across socioeconomic settings. On the grounds of previous discussion, the following hypotheses are proposed:

- H1: Retail service quality has a positive effect on customer satisfaction;
- H2: Satisfaction has a positive effect on retail customers' behavioral intentions;
- H3: Retail service quality is positively related to customer behavioral intentions.

1.2 Perceived Value

Recent marketing literature pays growing attention to perceived value as it has been regarded as an important determinant of customer behavior and the fundamental basis for all marketing activities [30]. However, the construct of value has been less extensively studied than service quality and satisfaction, as there is a lack of consensus on what constitutes value. According to Grönroos and Voima [18] value is among the most ill-defined and elusive constructs in services marketing theory. Literature provides evidence of the divergent views regarding the definition, measurement and dimensionality of perceived value. It has been modeled as unidimensional [10] and multidimensional construct, including functional values, social and emotional value applicable to the context of shopping for consumer durable goods [35] or value-for-money, emotional value and novelty value in adventure tourism context [38]. Multivariate analysis

conducted in the context of the Czech clothing retailing yielded five dimensions composing benefit attributes, related to functional, psychological and conditional components of customer value, and three sacrifice dimensions, related to price, incentives and effort made when shopping [32]. Multidimensional conceptualizations are more applicable to service settings implying higher level of perceived risk. As the context of this study is retail grocery shopping, perceived value has been operationalized as a unidimensional construct. In a myriad of definitions of perceived value, the most universally accepted, and adopted in this study as well, is the one proposed by Zeithaml [39, p. 14] according to which perceived value is "consumers' overall assessment of the utility of a product based on perceptions of what is received and what is given." This trade-off model stems from pricing literature, but takes on a broader perspective of the „give" component, including monetary and nonmonetary costs (e.g. time, effort, energy expended), which might be even more important than monetary sacrifices for time-constrained consumers [30].

There is a significant body of literature to provide evidence of the antecedent role of service quality to perceived value in a variety of service settings, such as banking [27], air transportation [6], tourism industry [26], etc. In instances where the object of the exchange is physical product, superior service rendered by the seller may add to perceived benefits (get component) or reduce nonmonetary costs, thus adding to perceived value of the exchange [24]. Improvements in perceived value have been shown to positively affect customer satisfaction, which further leads to favorable behavioral intentions [10], [4]. In addition to mediated effect, recent studies indicate perceived value as the most significant and direct determinant of customer behavioral intentions [6]. These findings lead to the following hypotheses:

- H4: Retail service quality is positively related to perceived value;
- H5: Perceived value is positively related to customer satisfaction;
- H6: Perceived value has a positive effect on customer behavioral intentions.

Conceptual model, including hypothesized relationships, is presented in Figure 1.

Fig. 1:   Conceptual Model
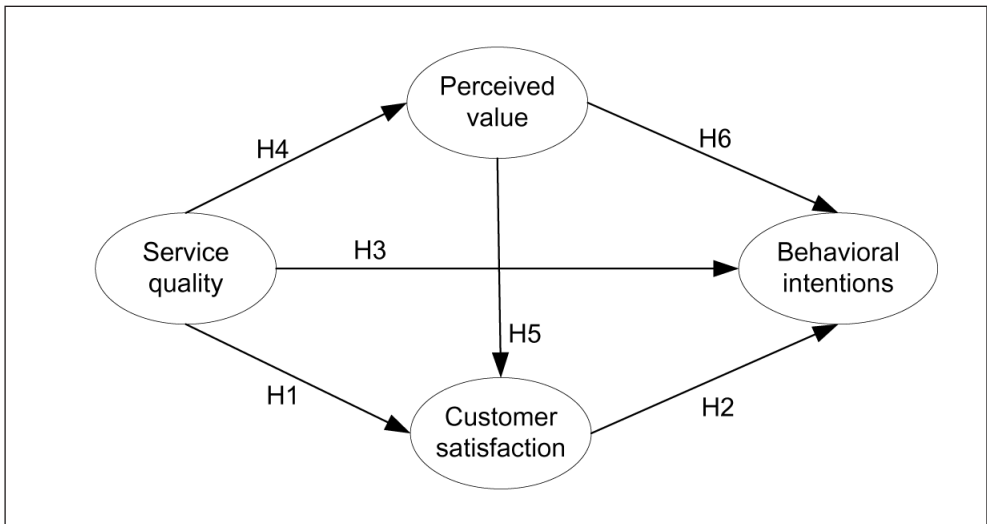
Source: own

2. Methodology

2.1 Sampling and Data Collection

The study was conducted on a convenience sample of grocery retail customers in Serbia. Data collection was administered by personal interviewing which took place from November 2011 till January 2012. As the study aimed at addressing cumulative satisfaction, in-home, rather than in-store, interviewing was chosen for data collection. Rationale of the study had been explained first and respondents were asked to express their opinions having in mind the retail store where they shop for groceries and complementary assortment for household consumption most often. Participation in the study was voluntary and anonymous. Elimination of 38 questionnaires with incomplete or apparently insincere data yielded 453 usable responses. Majority of respondents were females (57 %). The most represented age group was 18–24 (31 %), followed by those within 25–34 age category (22.9 %) and 35–44 years of age (20.5 %). Respondents with high school diploma accounted for 69.8 % of the sample. More than third of all participants (36.6 %) indicated supermarkets owned by Belgian-based company as the most preferred place for grocery shopping, the following category being independently-owned convenience stores.

2.2 Measures

The questionnaire included four sections, in addition to demographic profile of respondents. The first part dealt with service quality measurement. Prior to quantitative research several rounds of group discussions were held with retail customers. Respondents were primarily asked to recall their in-store experience and comment on attributes shaping their perceptions of retail service quality. Attributes of service quality revealed during extensive literature review, but not elicited during initial focus groups, were later on discussed with respondents in terms of their relevance for retail service quality evaluation in Serbian context. This approach yielded a pool of service quality items which were measured on a seven-point Likert-type scale. Respondents were asked only to indicate their perceptions of service quality, in line with Cronin and Taylors's [9] arguments favoring performance-only measurement.

The following section dealt with customer satisfaction. The construct was measured on

the basis of items used in previous studies [10], [4] adapted to the context of retailing. Respondents were asked to indicate on a seven-point Likert-type scale to what extent they thought that the decision to purchase from the chosen retailer was a wise one and to what extent they were satisfied and happy with the services from that retailer.

The third section dealt with perceived value. Respondents were asked to indicate to what extent they agreed that patronizing that retailer was worth the money, effort and time expended [39].

The fourth section consisted of measures of customer behavioral intentions. Items were taken from previous studies [4], [42] and adapted to the context of this study. Respondents' task was to indicate on a seven-point Likert-type scale likelihood of spreading positive word-of-mouth, recommending the retailer to a friend or family member and purchasing from the same retailer again.

2.3 Data Analysis

Exploratory factor analysis and structural equation modeling (SEM) were applied in this study. The dimensionality of heretofore un-studied construct of retail service quality in Serbia was examined using principal axis factoring with oblique rotation. In the following stage two-step procedure, recommended by Anderson and Gerbing [1] was performed, implying estimation of measurement model, followed by estimation of structural relationships. Maximum likelihood, as the method of parameter estimation, was chosen. Data were analyzed using SPSS 18 and LISREL 8.80.

3. Results

3.1 Factor Structure and Measurement Model of Retail Service Quality

The key task in the first stage of the analysis was purification of initial pool of items related to the construct of retail service quality. In pursuit of this goal, an iterative procedure was applied, involving the following steps:
1) Reduction of larger number of items into a smaller set of underlying factors by means of exploratory factor analysis.
2) Deletion of items with high cross-loadings.

3) Calculation of Cronbach's alpha factors and item-to-total correlation and consequent deletion of items with low reliability.
4) Reiteration of steps 1–3 until a clean dimensional structure emanates from the procedure.

Principal axis factoring was performed to determine the underlying dimensionality of retail service quality construct. Oblique factor rotation was chosen as it is best suited to the goal of obtaining several theoretically meaningful constructs and when it is assumed that the factors are correlated, which is mostly the case with social science studies. Suitability of the data for factor analysis was examined using Bartlett's test of sphericity, which tests the null hypothesis that the correlation matrix is an identity matrix, and Kaiser-Meyer-Olkin measure of sampling adequacy (KMO). Significance of Bartlett's test (χ^2=4752.468, df=325, p<.001) and KMO value of .928 indicated good factorability of the correlation matrix. Factor loadings less than .40 were suppressed and Kaiser's criterion of eigenvalues greater than 1 was applied for factor retention. The iterative procedure yielded four-dimensional structure of retail service quality construct, as presented in Table 1.

Measurement properties of newly generated scale have been examined in the following stage by means of confirmatory factor analysis (CFA). Due to number of items explained by the second factor, parcels have been used as indicators of service quality dimensions, as the larger the number of indicators per construct, the less likely the model is to fit well even if the model closely approximates the construct. Parcels were constructed by partial disaggregation, placing more similar items together into the same parcel, where possible. Content of item parcels and results of measurement model analysis are presented in Table 2. Overall fit of the measurement model was deemed unsatisfactory, as CFA yielded significant chi-square statistic (χ^2=87.306, df=29. p<.001). However, due to its sensitivity to sample size a number of other absolute and incremental fit measures have been examined. Their values, higher than the lower threshold or lower than the upper bound indicated acceptable fit of the measurement model.

Tab. 1:   **Factor Analysis Results**

Items	Factor loadings			
	F1	F2	F3	F4
Factor 1 Spatial layout & assortment				
Q1 Layout makes it easy to move around	.625			
Q2 Layout makes it easy to find goods	.534			
Q3 Assortment allows one-stop shopping	.483			
Q4 Appropriate depth and width of the assortment	.459			
Factor 2 Employee factor				
Q5 Employees give prompt service		.722		
Q6 Employees are never to busy to respond		.708		
Q7 Employees are courteous with customers		.633		
Q8 Enough number of employees for prompt and efficient service		.631		
Q9 Employees are willing to do more than asked for to help customers		.626		
Q10 Special treatment of regular customers		.601		
Q11 Employees are trustworthy		.570		
Q12 Employees are well informed		.558		
Q13 The retailer understands customers' needs		.529		
Factor 3 Communication & modernity				
Q14 The retailer informs customers about special offers			.722	
Q15 Visually appealing promotional material			.716	
Q16 Attractive sales promotion activities			.714	
Q17 Modern-looking equipment			.423	
Factor 4 Ambience				
Q18 Pleasant music in the store				.672
Q19 Pleasant combination of colors				.653
Q20 Pleasant lighting in the store				.597
Q21 Pleasant scents				.589
Q22 Pleasant temperature in the store				.415

Source: own

Standardized factor loadings higher than 0.50 and average variance extracted (AVE) above 0.50 indicated good convergent validity of the model. Cronbach's alpha factors exceeding the value of 0.60, deemed the lower limit of acceptability, indicated good internal consistency of the items making up service quality dimensions. All but one AVEs being higher than the squared correlation between each pair of latent variables (variance shared between the factors) provided evidence in support of discriminant validity, as presented in Table 3.

Tab. 2: **Measurement Model of Retail Service Quality**

Fit indices*	χ^2/df	GFI	AGFI	NFI	NNFI	CFI	RMR	RMSEA
Recommended	<5.00	>0.90	>0.90	>0.90	>0.90	>0.90	<0.08	<0.08
Results	3.01	0.96	0.93	0.96	0.95	0.97	0.05	0.07

Dimension	Item parcel	Factor loading	t-value	Cronbach's alpha
Spatial layout	IP1	0.71	13.12	0.72
& assortment	IP2	0.75	-	
Employee factor	IP3	0.74	16.53	0.88
	IP4	0.86	19.73	
	IP5	0.74	16.55	
	IP6	0.82	-	
Communication	IP7	0.94	14.15	0.81
& modernity	IP8	0.75	-	
Ambience	IP9	0.78	15.42	0.81
	IP10	0.87	-	

Parcel content			
IP1=(Q3+Q4)/2;	IP2=(Q1+Q2)/2;	IP3=(Q7+Q10)/2;	IP4=(Q9+Q11+Q13)/3;
IP5=(Q5+Q8)/2;	IP6=(Q6+Q12)/2;	IP7=(Q15+Q17)/2;	IP8=(Q14+Q16)/2;
IP9=(Q18+Q22)/2;	IP10=(Q19+Q20+Q21)/3		

Note: *Goodness of fit index (GFI); Adjusted goodness of fit index (AGFI); Normed fit index (NFI); Non-normed fit index (NNFI); Comparative fit index (CFI); Root mean square residual (RMR); Root mean square error of approximation (RMSEA)

Source: own

Tab. 3: **Average Variance Extracted and Variance Shared between the Factors**

	F1	F2	F3	F4
F1	**0.53**			
F2	0.47	**0.62**		
F3	0.45	0.18	**0.72**	
F4	0.55	0.26	0.37	**0.69**

Note: Values on the diagonal represent AVEs and values below the diagonal correspond to shared variance; correlations are significant at the 0.01 level

Source: own

Unidimensionality of service quality dimensions, indicated by measurement analysis, enabled the construction of summated scales, i.e. additive, equally weighted indices, for each quality dimension. These indices were used as indicators of service quality construct in structural analysis. However, prior to estimating patterns of relationships among constructs total measurement model, incorporating all previously discussed latent constructs, was estimated.

3.2 Total Measurement Model

The CFA analysis of the total measurement model including four latent constructs yielded significant χ^2 value (χ^2=135.185; df=59, p<.001), implying considerable difference between the observed and estimated covariance matrix. Consequently, the model would be deemed unacceptable, however due to sensitivity of chi-square value to sample size, additional fit indices were considered. The ratio of chi-square value to corresponding degrees of freedom being lower than the upper bound of

5 indicated reasonable fit of the measurement model. Other absolute fit measures, such as goodness-of-fit statistic (GFI), being higher than 0.90, and RMSEA, a measure of discrepancy per degree of freedom, being lower than 0.08, also provided evidence is support of close fit of the model. Incremental fit measures, such as NFI, NNFI, CFI, which compare hypothesized model to a null or independence model, took values higher than the lower threshold of 0.90, indicating acceptable fit of the measurement model. All standardized factor loadings were statistically significant and higher than 0.50. Cronbach's alpha factors were computed to assess internal consistency of the constructs. Reliability coefficient taking values from 0.78 to 0.88 indicated adequate internal consistency of the constructs, as presented in Table 4.

Tab. 4: **Measurement Analysis of the Total Model**

Fit indices*	χ^2/df	GFI	AGFI	NFI	NNFI	CFI	RMR	RMSEA
Recommended	<5.00	>0.90	>0.90	>0.90	>0.90	>0.90	<0.08	<0.08
Results	2.29	0.96	0.94	0.96	0.97	0.98	0.05	0.05

Constructs	Factor loading	t-value	Cronbach's alpha	Composite reliability (CR)
Service quality	0.63 – 0.76	11.96 – 12.76	0.78	0.79
Satisfaction	0.83 – 0.88	21.74 – 23.32	0.88	0.88
Perceived value	0.74 – 0.84	16.29 – 17.05	0.83	0.84
Behavioral intentions	0.77 – 0.91	20.99 – 28.47	0.88	0.89

Note: *Goodness of fit index (GFI); Adjusted goodness of fit index (AGFI); Normed fit index (NFI); Non-normed fit index (NNFI); Comparative fit index (CFI); Root mean square residual (RMR); Root mean square error of approximation (RMSEA)

Source: own

With the exception of average variance accounted for by service quality, amounting to 0.49, all other AVE values were higher than 0.50, providing evidence in support of convergent validity. Construct reliability (CR) is another indicator of convergent validity. CR values from 0.79 to 0.89 exceeded 0.70 rule of thumb thus indicating good convergence among the measures of the same construct. Discriminant validity was also supported as average variance extracted by the constructs was higher than the variance shared between the constructs (squared correlation), as presented in Table 5. Acceptable for of the measurement model allowed for the examination of structural relationships.

Tab. 5: **Average Variance Extracted and Variance Shared between the Constructs**

	SQ	SAT	PV	BI
SQ	**0.49**			
SAT	0.34	**0.73**		
PV	0.32	0.48	**0.63**	
BI	0.30	0.69	0.49	**0.74**

Note: Values on the diagonal represent AVEs and values below the diagonal correspond to shared variance; correlations are significant at the 0.01 level

Source: own

3.3 Structural Model

Patterns of relationships among latent constructs were examined by means of SEM analysis performed via LISREL 8.80. Maximum likelihood was chosen as the method of parameter estimation. The GFI, CFI, NFI are above the lower bound of 0.90 and both RMR and RMSEA are below 0.08 and therefore indicate acceptable fit of the structural model. Given the satisfactory fit of the model the analysis proceeded with hypothesis testing. Results of the study indicate significant impact of retail service quality on customer satisfaction (γ=0.28, p<.01), therefore providing support for Hypothesis 1. Improvements in service quality positively impact customer perceptions of value

(γ=0.68, p<.01). Thus, Hypothesis 4 was supported. However, support was not provided for Hypothesis 3 implying direct impact of service quality on behavioral intentions (γ=0.03, p>.05). Results of the study indicate that both value and satisfaction are directly related to customer behavioral intentions (H6: β=0.18, p<.01; H2: β=0.80, p<.010), providing support for Hypothesis 6 and Hypothesis 2. In addition to direct relatedness, perceived value is also indirectly related to customer behavioral intentions, via satisfaction, which is positivly influenced by value (β=0.60, p<.01). Thus, Hypothesis 5 was supported. Table 6 presents the results of structural model analysis.

Tab. 6: **Structural Analysis**

Fit indices*	χ^2/df	GFI	AGFI	NFI	NNFI	CFI	RMR	RMSEA
Recommended	<5.00	>0.90	>0.90	>0.90	>0.90	>0.90	<0.08	<0.08
Results	2.29	0.96	0.94	0.96	0.97	0.98	0.05	0.05

Hypothesized relationships	St. estimates	t-value	Test results
H1: service quality → satisfaction	0.28	4.51	Supported
H2: satisfaction → behavioral intentions	0.80	11.72	Supported
H3: service quality → behavioral intentions	0.03	0.65	Not supported
H4: service quality → perceived value	0.68	10.63	Supported
H5: perceived value → customer satisfaction	0.60	9	Supported
H6: perceived value → behavioral intentions	0.18	2.93	Supported

Note: *Goodness of fit index (GFI); Adjusted goodness of fit index (AGFI); Normed fit index (NFI); Non-normed fit index (NNFI); Comparative fit index (CFI); Root mean square residual (RMR); Root mean square error of approximation (RMSEA)

Source: own

Explanatory power of the model was quite satisfactory, indicated by estimated R^2 values of structural equations forming the model: 47 % for value, 68 % for satisfaction and 86 % for behavioral intentions. Therefore results of the study indicate that hypothesized relationships are adequate representations of cause-effect relationships among latent constructs modeled in the study. In terms of total effect, based on standardized structural coefficients, satisfaction is the most significant predictor of behavioral intentions, which influence consists only of the direct effect of 0.80. The following predictor is perceived value, which total effect of 0.66 consists of the direct effect of 0.18 and the indirect effect, mediated via satisfaction, which

amounts to 0.48, whereas service quality exerts total effect of 0.65, comprising mediated effects, via perceived value and satisfaction.

4. Discussion

4.1 Implications of the Study

The thrust of this paper was to gain deeper insight into the construct of service quality and examine relationships among the key drivers of consumer intentions and their impact on future behavior in heretofore unstudied context such as retail setting in Serbia. Therefore the review of previous studies in the domain of service quality in general, and retail service quality in particular, formed the baseline for qualitative

study, resulting in the initial pool of service quality items, followed by quantitative examination of the dimensionality of retail service quality construct. Findings of this study point out to the multidimensional nature of retail service quality construct, whereby perceptions of store layout and assortment, employees' behavior, communication and ambient conditions shape service quality evaluation of Serbian grocery retail customers. This is in line with previous studies highlighting the impact of employees' behavior [25], [13], store layout and assortment [23], ambient conditions [3], [29] on quality perceptions. In addition to enriching current knowledge base in retailing, proposal of service quality scale, suitable to the context of retailing in Serbia, is especially relevant for retail management. Instrument of this kind could be used for tracking trends in service delivery and benchmarking purposes, among retail outlets operating within the same chain or comparison with competitors. Implementation of valid and reliable measurement instrument is a critical issue for retail managers as it enables them to identify weak areas in service delivery and properly allocate limited resources on corrective actions.

Results of this study indicate insignificant direct effect of service quality on customer behavioral intentions, when its effect is considered collectively with other determinants of behavioral intentions. By no means does it imply that customer perceptions of service quality should be ignored. Measuring and managing service quality is all the more important as it significantly affects customer satisfaction, as indicated by this study's results. Improvements in service quality are expected to lead to customer satisfaction and higher value perceptions, which also directly impact customer satisfaction, and to a lesser extent behavioral intentions. Improvements in service quality could raise the benefit component of perceived value, or value perceptions could be managed by lowering sacrifice component or by working in both directions simultaneously. However, one possible explanation of insignificant direct impact of service quality on customer behavioral intentions might be the economic downturn which characterized the period of the study. In those circumstances it is highly likely that customers would be willing to tolerate lower level of service quality in favor of

lower prices. Results of this study indicate that customer satisfaction is the most important antecedent of behavioral intentions. Therefore in times of intensifying competitive pressures managerial attention should be focused on improving customer satisfaction, which implies working on its antecedents.

4.2 Limitations and Directions for Future Research

In spite of its contributions, this study is not bereft of limitations either. The main drawback of the study is the size and scope of the sample, as a result of time and financial constraints imposed on the study. Analyses were conducted on a convenience sample of grocery retail customers residing in East Serbia region, mostly in Bor district. Moreover, urban population was overrepresented in the study. According to the official data covering the first half of 2012, this region was characterized by 12.89 % lower average salary, compared to the country average, and 30.36 % lower salary in comparison with the most economically advanced region [22]. Therefore, a striking hint emanating from this study is relatively negligible direct effect of perceived value on customer behavioral intentions. One possible explanation would be the structure of the sample, including mostly younger population. Therefore future studies should be performed on more representative customer samples. It should be also noted that the convergence among the items representing the construct of service quality was slightly lower than the cut-off value of 0.50. Thus future research would benefit from more thorough examination of service quality construct. Researchers are also well advised to investigate other prospective antecedents of customer behavioral intentions, such as trust and commitment which have been shown to exert significant impact on customer loyalty, even more stronger than the effect of satisfaction. Literature also provides evidence of significant impact of corporate social responsibility [21] and corporate reputation [8] on customer loyalty. One fruitful area of future research would be an examination of across-group variation in causal relationships using multi-group analysis on the basis of demographic profile of the sample, or preferred retail formats. The scale used in this study, based on literature review and group discussions with grocery

retail customers in Serbia, might be culturally biased and as such should not be directly transposed to different socioeconomic and cultural context. Accordingly, caution is called for in generalizing results of this study. Moreover, researchers are advised to make necessary adaptations of the scale even if it is to be applied in the same socioeconomic context, but distinct retail setting. Therefore another avenue for research would be examination of the strength and direction of causal relationships in diametrical retail contexts, such as shopping for mundane and luxury goods. As the conclusions emanating from this study are based on data collected in one point of time, in order to support external validity of the findings researchers are advised to perform analyses using longitudinal data. Another avenue worthy of further pursuit would be examination of causal relationships across service settings.

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Abstract

LINKING RETAIL SERVICE QUALITY, SATISFACTION AND PERCEIVED VALUE TO CUSTOMER BEHAVIORAL INTENTIONS: EVIDENCE FROM SERBIA

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In increasingly competitive business environment the issue of service customer loyalty, its determinants and their relative impact on customers' future behavior have been gaining rising prominence among Services Marketing researchers and practitioners. Despite ample empirical evidence pointing out to service quality, customer satisfaction, perceived value as the main drivers of customer loyalty and numerous examinations of their interrelatedness and relative impact on customer behavioral intentions, vast majority of previous studies have been conducted in the U.S. and western country context, whereas developing economies have largely been neglected. This especially pertains to Serbia and its increasingly competitive retailing industry. Therefore the overriding objective of this paper is to examine complex interrelationships among service quality, satisfaction, value and their relative impact on customer behavioral intentions in Serbian grocery retail context. In line with frequently highlighted context and culture-specific nature of service quality construct and due to the dearth of empirical studies of service quality in Serbian retail setting, literature review and group discussions with retail customers were perfomed first. Qualitative research yielded initial pool of service quality items, which was later on refined on the basis of exploratory factor analysis (EFA) and validated applying confirmatory factor analysis (CFA). Quantitative analysis proceeded with the examination of structural relationships among key service evaluation constructs. Data were analyzed using SPSS 18 and LISREL 8.80. According to the study's findings customer satisfaction, influenced by perceptions of service quality and value, exerts the strongest total effect on customer behavioral intentions, followed by perceived value and service quality.Theoretical and managerial implications of the study have been discussed and limitations and directions for future research highlighted.

*   ***Key Words:*** *service quality, satisfaction, perceived value, customer behavioral intentions, retailing.*

*   ***JEL Classification:*** *L81, M30, M31.*