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# The Impact of Perceived Service and Product Quality on Customer Loyalty: A Recommended Model for Jewelry Chain Stores in Madurai

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## ABSTRACT

*Jewelry sector is one of the fastest growing sector. The usage of Jewelry has been a constant feature in mankind existence from the earliest times. Accordingly Jewelry retailing has been changing every year. This change may be due to the effect of several factors like the existence of brands, certification, advertising etc., In order to retain the customers, organization have to think of improving customer satisfaction. An attempt has been made to identify the relationship between Customer Satisfaction, Perceived Product Quality and Perceived Service Quality at well-known jewellery shops in Madurai city. This study helps in identifying different factors influencing Customer Satisfaction which the organization can focus. This is done by collecting data through a Questionnaire and analyzed using the Partial Least Square Structural Equation Modelling Approach to find out the degree of relationship that exists between the variables and its impact on Customer Satisfaction.*

**Keywords:** *Customer Satisfaction, Customer Loyalty, Perceived Product Quality, Perceived Service Quality.*

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## **I. INTRODUCTION**

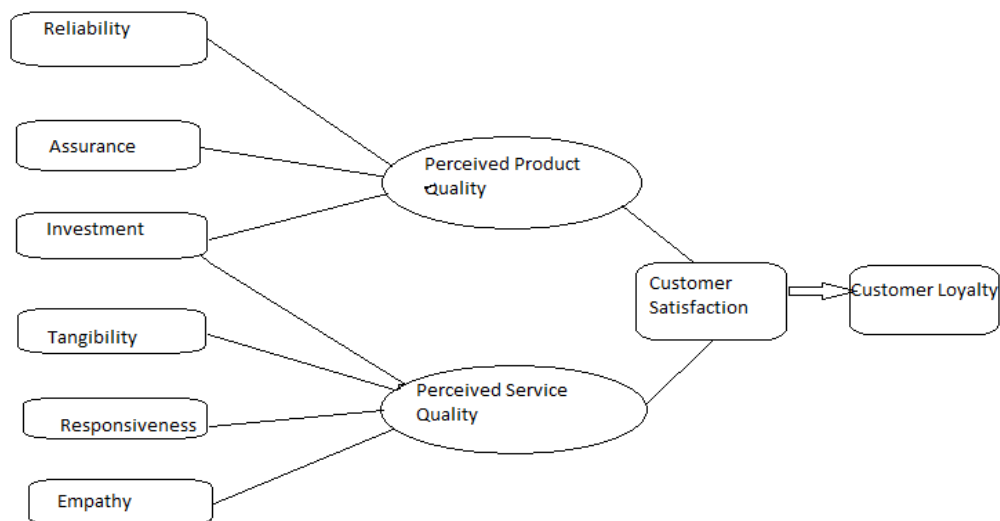
Gems and jewellery plays an important part in Indian custom and tradition, making this sector integral to the economy and one of the fastest-growing industries in the country. The study is on leading jewellery showrooms in Madurai city, which has been attracted a lot of customers. Due to the competition from other reputed shops, various strategies must be adopted to retain existing customers and enjoy good business. To achieve good business, the organization must focus on product quality, available varieties, value delivered and service quality. Customer satisfaction plays a very important role in the jewellery sector to gain high profits. Jewellery is one of the decorative items which include Necklace, Rings, Earrings and Bangles, Chains etc., which is worn by Men, Women and children on different occasions as well as daily usage. This study helps in identifying different factors influencing Customer Satisfaction and loyalty which the organization can focus on.

### **(A) Review of Literature**

The wearing of jewellery has been a constant feature in mankind's existence from the earliest time. About 100000yrs. ago people from different regions were wearing pendants made from the bones and teeth of animals (Phillips, 1996). In India, gems and jewellery were used for both fashion/beauty as well as investment purposes (Raju et al., 2013). India is the first country to introduce Diamond to the world and the first to mine, cut and polish, and trade diamonds (National Skill Development Corporation, 2007). In India, Jewelry has been used not only for adornment but also for gifting during auspicious occasions, as security for women, wealth, power, status etc.(Rao et al., 2014). The significance of jewellery plays a very important role in the life of women which is called 'Stridhan', meaning 'wealth of women', the ornaments gifted at the time of marriage. Kain (2013), Deepa et al., (2013), and Joseph (2014) conducted a study on consumer perception, customer satisfaction and consumer buying behaviour in jewellery.

### **(C) Objectives of the study**

- To identify the impact of perceived product quality and perceived service quality towards customer satisfaction in jewellery chain stores
- To know the impact of customer satisfaction towards customer loyalty with respect to jewellery in chain stores
- To analyse a relationship among SERVQUAL constructs, perceived product quality, customer satisfaction and customer loyalty
- To draw out managerial implications of the findings of the study

**(D) Research Model****(E) Hypothesis****Table 1 Explanations of Hypothesis**

Hypothesis	Remarks
ASS → PPQ	Purchasing jewellery means investing high amount of money, hence to purchase jewellery from a shop assurance is the very important factor which depends on perceived product quality and indirectly effects customer satisfaction
REL → PPQ	Ability of the jewellery shop to perform the promised service dependably and accurately
INVT → PPQ	An investment is a monetary asset which is purchased thinking that provides benefits in the future when the item is sold and it plays a very important role in purchase of products
TAN → PSQ	Purity of the gold is very important factors which influences perceived product quality
RES → PSQ	It is about the willingness of sales representatives to help customers and provide prompt service for purchasing jewellery
	Which purchasing jewellery in a reputed shop quality of the service is

EMP → PSQ	also an important factor which will satisfy the customer and intend to repurchase
PSQ → CSAT	Perceived service quality (PSQ) is the gap between expectation of the customers regarding service performance and quality of service received
PPQ → CSAT	PPQ is the customer's perception about the products excellence. While purchasing jewellery, purity of the jewellery, variety of designs etc., are integral part of the product quality which directly effects customer satisfaction
CSAT → CLTY	While purchasing jewellery, product design, purity, variety of choices, good hospitality, store ambience etc., leads to overall satisfaction which encourages customers to repurchase

## II. RESULTS

### (A) The measurement model

Internal consistency reliability was checked by calculating composite reliability which should be greater than or equal to 0.7. Composite reliability also called construct reliability, analysis the strength of all the indicators correlated with their construct. From Table 2, it is clearly observed that all values in the composite reliability column are greater than 0.7, all indicators are said to be highly relevant.

Convergent validity denotes a set of indicators load together as a single construct. This test can be done by calculating AVE (Average Variance Extracted). To check the validity measure, AVE values must be greater than or equal to 0.5. Table 5, below shows the Reliability and Validity measures

**Table 2 Discriminant Validity**

	Construct reliability	AVE
ASS	0.805	0.865
REL	0.817	0.895
INVT	0.910	0.987

TAN	0.956	0.991
RES	0.756	0.856
EMP	0.810	0.873
PPQ	0.823	0.897
PSQ	0.910	0.948
CLTY	0.924	0.976
CSAT	0.835	0.903

Table 3 shows latent variable correlation and discriminant validity. Discriminant validity denotes how efficiently individual construct connect with each other. To check discriminant validity, the AVE square root value must be greater than other correlated values which are shown in bold along the diagonal.

**Table 3 Latent variable correlations and discriminant validity**

	ASS	REL	INVT	TAN	RES	EMP	PPQ	PSQ	CLTY	CSAT
ASS	<b>0.930</b>									
REL	0.786	<b>0.946</b>								
INVT	0.761	0.675	<b>0.993</b>							
TAN	0.567	0.786	0.784	<b>0.995</b>						
RES	0.678	0.610	0.723	0.610	<b>0.925</b>					
EMP	0.745	0.678	0.657	0.734	0.678	<b>0.934</b>				
PPQ	0.823	0.745	0.897	0.763	0.734	0.761	<b>0.947</b>			
PSQ	0.567	0.787	0.767	0.689	0.804	0.699	0.786	<b>0.974</b>		
CLTY	0.654	0.698	0.678	0.701	0.768	0.727	0.791	0.678	<b>0.988</b>	
CSAT	0.763	0.702	0.810	0.716	0.784	0.805	0.756	0.751	0.739	<b>0.950</b>

From smart PLS is able to generate T-statistics for testing the significance of both internal and external models, using a process called bootstrapping. In this process, a huge amount of

subsamples are taken from the actual sample with replacement contributing to bootstrap standard error, which in turn provides T values approximately for checking the significance of the structural path. Hypothesis results are obtained from Table 4. To check the result, T statistics column must be observed, where the T statistics value is greater than 1.96 for 5 per cent level of significance is accepted and hypothetical statements are said to be supported. From Table 4, it is observed that except RES→PSQ (0.064) all other factors are significant with respect to the T statistics value.

**Table 4 t-values of all dimensions**

	Original sample (O)	T statistics ( O/STERR )	Hypothesis
ASS→PPQ	0.410	2.617	Supported
REL→ PPQ	0.346	2.871	Supported
INVT→ PPQ	0.389	3.056	Supported
INVT→ PSQ	0.366	3.178	Supported
TAN→ PSQ	0.341	3.145	Supported
RES→ PSQ	0.064	0.082	Not Supported
EMP→PSQ	0.393	3.123	Supported
PSQ→ CSAT	0.398	3.983	Supported
PPQ→ CSAT	0.476	3.987	Supported
CSAT→CLTY	0.917	4.106	Supported

\*t > 1.96 at p < 5% confidence level

### **(B) Endogenous variable variance Explanation**

- An endogenous latent variable is customer loyalty (CLTY) having a coefficient of determination R<sup>2</sup>, which is 0.803. This means customer satisfaction (CSAT) explains 80.3% of the variance in customer loyalty (CLTY)
- Perceived product quality (PPQ) and perceived service quality (PPQ) both together explain 61.7% of the variance in customer satisfaction (CSAT).

- Reliability (REL), Assurance (ASS), and Monetary Investment (INVT) all together explain 62.1% of the variance in perceived product quality (PPQ).
- Tangibles (TAN), Monetary investment (INVT), Responsiveness (RES) and Empathy (ETY) both together explains 55.3% of the variance in perceived service quality (PSQ).

The iterative process of testing for the convergent and discriminant validity of the model suggested combining items took place during the unstructured interviews with the customers of the jeweller. The figure displays the coefficient of determination R<sup>2</sup> and the path coefficients between the two variables customers of reputed jewellery shops.

### **III. CONCLUSION**

The main aim of this study was to find the significant influence of different factors on customer loyalty. Except for “Responsiveness” all other variables are interrelated and have a significant influence on its dependent variable. Responsiveness was found to have no significant influence on perceived product quality. Based on these results, there are managerial implications for chain stores that can be proposed from the study. Firstly, perceived service and product quality are significant assets for chain stores to improve customer satisfaction. Perceived product quality should be maintained to keep the name which is known by customers or public. Advertising and promotion of mass media are effective ways to build product service quality.

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