

# SERVICE QUALITY IN ORGANISED RETAIL STORES

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## ABSTRACT

*The organized retail industry in India is growing rapidly. Customers visit the shopping centers to have overall shopping experience. Major corporate houses have their presence in this sector and the competition is intense. In the world of fierce competition, service quality has a competitive advantage. It is imperative to understand customer expectations as the quality of service depends upon how efficiently the firm is able to satisfy its customers. The purpose of this study is to understand the critical components of retail service quality in the Indian scenario and compare them with the factors given in SERVQUAL and RSQS models. Also to find out, if there are any other determinants of service quality that customer feels important and to compute service quality of retail outlets based on customer perceptions. The study was carried out in Mumbai. The data was collected from 100 respondents in the age group of 22-50 using questionnaire based on RSQS. Summary statistics and factor analysis are used analyze data. SERVQUAL and RSQS models had 5 factor structures but the factor analysis of the data shows 8 factors. So these models cannot be validated. The customers are not satisfied on certain parameters as it is observed when the customer satisfaction scores are negative.*

**Keywords: Organized Retail, Service Quality, SERVQUAL, RSQS**

## INTRODUCTION

Organized retail industry in India is one of the fastest growing industries. According to IBEF Report (December 2013) Indian retail Industry is worth US\$500 billion. As per the same report Rapid urbanization with increasing purchasing power, widening of upper and middle class, collective effort of financial houses and banks with retailers providing easy credit, conducive Govt. policies and entry of foreign retailers and inflow of FDI are the major driving forces behind retail sector growth. The growth is happening not only in major cities and metros but also in Tier-II and Tier-III cities as well. The US-based global management consulting firm, A T Kearney, in its Global Retail Development Index (GRDI) 2011, has ranked India as the fourth most attractive nation for retail investment, among 30 markets.

Many corporate houses like Reliance (Reliance Trends, Reliance Fresh), Birlas (Aditya Birla Retail), Tata (Trent, Tanishq, Titan eye+), Future group(Big Bazaar), K. Raheja group (Shoppers Stop, Crossword) compete in the market and have their presence in different retail formats like malls, supermarkets, hypermarkets, specialty stores, discount stores, departmental stores, cash and carry stores etc.

As per the report published by FICCI (2012 and 2013), changing economic dynamics, diverse choices in products and services, numerous shopping formats and easy access to information has enabled customers to expect more from their shopping experience. Customers are looking for customized products and personalized service. By 2015, more than 300 million shoppers are likely to patronize retail chains.

In the competitive market, it is difficult to differentiate the retail store only on the basis of merchandise, price, promotion or location of the store. Retail Businesses are service businesses (Berry, 1986). In today's world of fierce competition, and shrinking market shares, quality of service is the key for subsistence and success. Quality in retail depends on how well the product quality is complemented by service quality. Ambience of the store based on colour, lighting, style, music and also availability of other facilities like parking space can have immediate influence on the customer perceptions. In addition to these factors, behavior of the staff in the form of prompt service, good communication, knowledge, willingness to help the customers etc. are crucial for customer satisfaction and customer retention.

## **LITERATURE REVIEW**

Retail Businesses are service businesses (Berry, 1986). Services are intangibles when compared to physical goods. The customer service is defined as the combination of activities/strategies of a retailer that intends to provide a rewarding shopping experience, to enhance service quality and to ensure customer satisfaction (Woodruff, 1997).

Pioneering work in service quality research is done by Parasuraman, Zeithmal and Berry (1988). They formulated a measure of service quality - a 22-item scale SERVQUAL, which measures service quality based on 5 dimensions, viz. tangibles, reliability, responsiveness, assurance and empathy. Their approach was that 'the customers have expectations of performance on service dimensions; they observe performance and later form perceptions'. The authors defined service quality as the degree of discrepancy between customers' expectations for the service and their perception of service performance. This model has been very widely used to measure service quality in different services like hospitality industry, banking, tourism, education etc. The generalizability of SERVQUAL in different service industries has been questioned. The applicability of SERVQUAL in different cultures was also questioned. Donthu and Yoo (1998) studied the effect of cultural orientation of consumers on their service quality expectations. They found that consumers varied in both their overall expectations with regard to service quality and their expectations as a result of cultural orientations.

Dabholkar, Thorpe and Rentz (1996) proposed an instrument based on SERVQUAL which measures service quality in retail services. They proposed five dimensions - physical aspects, reliability, personal interaction, problem solving and policy. The

instrument called Retail Service Quality Scale (RSQS) gave 28 sub-dimensions to these five dimensions to combine related attributes.

Jasmeen, Y A L and T. Ramayah (2011) tested the validity of RSQS model in Apparel Specialty Store in Malaysia. Their research proved the applicability of RSQS measurement scale to be applicable in the culture other than the US. In India, Aveek Majumdar (2005) proposed a model for customer loyalty for retail stores inside shopping mall. He suggests mall loyalty is influenced by mall accessibility and mall ambience. Merchandise quality and price quality value perceptions have a positive effect in building overall store impression. But the most significant factor in building impression of the store is the interpersonal relationships between stores sales personnel and customers.

Darshan Parikh (2006) and Subhashini Kaul (2007) tested the applicability of RSQS Model proposed by Dabholkar et al (1996), in the Indian conditions. The research indicates that some of the RSQS dimensions were not applicable in India. The parameters have to be changed according to the conditions.

Ishwar Kumar et al. (2010) studied the influence of retail atmosphere on customer values. Their findings are: Olfactory and tactile factors such as ambient scent, temperature (air conditioning) and design factors such as layout, window dressing, greenery, shelf arrangement, trial rooms etc. have greatest impact on customer value. Lighting, colour and music may be also significant factors but less important in explaining customer value.

Naik Krishna et. al (2010) used SERVQUAL to measure service quality and its effect on Customer Satisfaction in Retailing. They considered 14 parameters to analyse the gaps. They found that customers have highest expectations on promptness of service, accuracy of transactions, security issues and concerns and fewer expectations about cleanliness and ambience. Khare Arpita et.al (2010) studied the relationship between service personnel's interaction and customer satisfaction. The dimensions of service quality were determined by using traditional SERVQUAL scale. The results showed positive correlation between various service dimensions.

## **PURPOSE OF RESEARCH**

- To identify the critical components of retail service quality.
- To test the applicability of Retail Service Quality Scale (RSQS) model in Indian conditions.
- To measure the gap between perceptions and expectations of customers and identify the areas of improvement.

## **Retail Service Quality Scale (RSQS)**

To measure service quality and its implications, various models were tried and tested in India, SERVQUAL and RSQS were tried more often. As RSQS is specifically developed for retail service and is also based on SERVQUAL let us discuss it in more detail. Dabholkar, Thorpe and Rentz (1996) proposed that retail service quality has a hierarchical factor structure. They proposed five dimensions – physical aspects, reliability, personal interaction, problem solving, and policy. They also gave sub-dimensions of each dimension to combine related attributes into sub-groups.

The first dimension – physical aspects – encompasses the appearance of the physical facilities and the convenience offered to the customer by the layout of the physical facilities. Retail literature suggests that store appearance is important to retail customers (e.g., Baker, Dhruv and Parasuraman, 1994). It also suggests that customers value the convenience of shopping offered by store layout. (Ishwar Kumar et al, 2010). Therefore the sub-dimensions of this dimension are appearance and convenience i.e layout of the store and display of merchandise.

The second proposed dimension is reliability. It has two sub-dimensions and other variations. Customers view reliability as a combination of keeping promises (Dabholkar, Thorpe and Rentz, 1996). Westbrook (1981) found that availability of merchandise is also a measure of reliability. So, the sub-dimensions of reliability are promises (e.g. handling returns and exchanges on time) and doing it right (right service first time, correctness of transactions, quality of merchandise etc).

The third proposed dimension is personal interaction. It has two sub-dimensions – service employees inspiring confidence (knowledgeable and promising employees) and being courteous/helpful (courteous behaviour, prompt service, immediate response to customer requests etc). These sub-dimensions are very closely related and capture how the customer is treated by the employee.

The fourth proposed dimension is problem solving which addresses the issues of handling of goods, returns and exchanges as well as complaints. Recognizing and resolving problems should emerge as a separate factor in customer evaluation. Westbrook (1981) found that customers were quite sensitive to how service providers attend to problems and complaints. Westbrook (1981) and Mazursky and Jacoby (1986) also mentioned that the ease of returning and exchanging merchandise is essential for retail sale.

The fifth proposed dimension – policy – captures aspects of service quality that are directly influenced by store policy. Westbrook (1981) and Mazursky and Jacoby (1986) report that an important criterion on which customers evaluate stores is the credit card and charge account policies of the store. Customers also appear to value parking availability for retail shopping (Oliver, 1981). This dimension does not have any sub-

dimension. Based on the above dimensions, the proposed measurement tool by Dabholkar, Thorpe and Rentz (1996) may be applicable in retail businesses that offer a mix of services and goods, such as departmental or specialty stores. This tool may also be suitable for measurement of current levels of service quality, and also to conduct periodic checks' to understand changes in customer expectations. The instrument could also serve as a diagnostic tool to determine service areas that are weak and that need attention.

## **METHODS**

### **The Study and Procedure**

The population was defined as active retail shoppers visiting organized retail outlets regularly. The sample data was collected from 100 respondents in the age group of 22-50. The respondents were active shoppers, working executives from Mumbai. Among the respondents 42 were females. These shoppers are conscious about the quality of merchandise as well as the quality of service. They visit organized retail outlets at least once a month.

The questionnaire was designed to find out what customers look for when they visit an organized retail store and also to get customer's perceptions of the service on the same parameters based on their experience. Though the SERVQUAL model is very widely used to measure and assess quality in most of the service organizations, RSQS Model proposed by Dabholkar, Thorpe and Rents (1996) seems to be more appropriate. The questionnaire was based on the RSQS guidelines. The original RSQS Model has 28 sub dimensions, but in the questionnaire some were merged together to make 25 sub dimensions. One sub dimension in original RSQS Model: 'The store offers its own credit cards' may not be valid in Indian conditions. Since most of these organized retail organizations offer loyalty cards and customers use them regularly, this sub-dimension was changed to: 'The store should have its own loyalty card'. Some families treat visit to shopping place as a family outing. So, three more parameters were added to the questionnaire. They are

- a. The store should have a cafeteria.
- b. Variety of cuisine should be available.
- c. The store should have children's play area.

5 point Likert scale (1-strongly disagree, 5 strongly agree) was used in the questionnaire and it was filled by the respondents.

## **DATA ANALYSIS AND FINDINGS**

In order to test the reliability of the overall instrument, Cronbach's coefficient (alpha) was computed. The value of alpha 0.898 is quiet satisfactory.

a) **Table 1** gives the ratings on customer expectations. It is seen from this table that parameter 'Acceptance of Major Credit Cards' gets the highest mean rating i.e. **4.34** followed by convenient location and comfortable ambience (Mean value of both 4.17). This shows that one of the major driving forces behind organizing retail is acceptance of credit cards. Modern looking equipments (Mean 4.12), variety of merchandise (Mean 4.11) attract customers to organized retail store. These factors differentiate the organized retail stores from the unorganized retail stores which are more in numbers and are very conveniently located otherwise. Convenient working hours (Mean 4.08), clean and convenient trial rooms (Mean 4.09), Good quality merchandise (Mean 4.06), Immediate attention to customer problems (4.06) are the next important parameters. Among all 29 parameters listed, availability of cafeteria (Mean 3.38), availability of variety of cuisine

(Mean 3.37) and attractive shopping bags and other service material (Mean 3.34) get the lowest importance.

	Parameters	Mean	Std. Deviation
C_1	Convenient Location	4.17	1.02
C_2	Ample Parking Space	3.79	1.34
C_3	Convenient Working Hours	4.08	1.13
C_4	Visually Appealing Physical Facilities	3.93	0.83
C_5	Modern Looking Equipments and Fixtures	4.12	0.99
C_6	Comfortable Ambience	4.17	0.93
C_7	Clean and convenient trial rooms and rest rooms	4.09	0.93
C_8	Convenient Display (Easy to locate merchandise)	3.89	1.15
C_9	Convenient Layout (Easy movement of customers)	3.83	0.94
C_10	Attractive Shopping bags and other service material	3.34	1.04
C_11	Variety of Merchandise	4.11	0.95
C_12	Good Quality of Merchandise	4.06	0.90
C_13	Employees should give prompt service	3.71	1.07
C_14	Employees should treat customers courteously	3.94	1.04
C_15	Employees should be knowledgeable	3.79	1.05
C_16	Immediate response to customer request	3.97	0.87
C_17	Customers should get individual attention	3.56	1.14
C_18	Transactions and records to be error free	3.89	0.95
C_19	Customers should get immediate attention if they have problem	4.06	0.97
C_20	Service to be performed right for the first time	3.65	0.97
C_21	The store should handle returns and exchanges	3.81	1.10
C_22	Returns and exchanges should be on time	3.87	1.08
C_23	Employees should handle customer complaints directly and immediately	3.80	1.02
C_24	Customers should be treated courteously on telephone	3.77	1.14
C_25	Acceptance of Major Credit Cards	4.34	0.97
C_26	Store should have its own Loyalty Card	3.73	1.18
C_27	The store should have a cafeteria.	3.38	1.43
C_28	Variety of Cuisine should be available	3.37	1.36
C_29	The Store should have children's play area	3.46	1.44

Among 100 respondents, 41 visit Shoppers Stop very often, 38 visit High Street Phoenix or Big Bazaar, 10 shoppers visit Inorbit Mall, 5 visit West Side, and remaining visit D-Mart, R Mall, Oberoi Mall etc.

**Table 1 showing Ratings of Customer Expectations**

**b) Factor Analysis**

Since the questionnaire was based on the five-factor structure proposed by RSQS Model, exploratory factor analysis was performed. This was done using the principal component factoring method and varimax rotation.

Five factors proposed by RSQS model were Physical aspects, Reliability, Personal interaction, Problem solving and Policy. Instead of five dimensions, the factor analysis found eight dimensions (**Annexure1**).

Within these dimensions, only items that were somewhat properly loaded were personal interaction and reliability. The other dimensions policy, physical aspects and problem solving are distorted. Apparently the result does not support the five dimension structure of Retail Service Quality Scale Model.

- c) The respondents were asked to rate the same parameters based on the perceived experience at most frequently visited retail store by them. Service Quality is the difference between the perceived quality and expected quality. Paired t test was also performed to test whether the difference in the expected quality and perceived quality is significant. The summarized data of Service Quality (Gap values) and the results of paired t test are given in **Table 2**.

The hypotheses for paired t test:

**H<sub>0</sub>:** There is no significant difference in the customer perceptions and customer expectations

**H<sub>1</sub>:** There is a significant difference in the customer perceptions and customer expectations

If the customer satisfaction score (The difference in customer is -ve then it shows the service quality is poor and results in unsatisfied customer.

**Table 2: Customer Satisfaction (Gap = Perceived Quality - Expected Quality)**

	Mean	SD	Sig. P-value
Convenient Location	0.07	1.14816	0.543
Ample Parking Space	-0.17	1.44987	0.244
Convenient Working Hours	-0.25	1.24215	0.047
Visually Appealing Physical Facilities	0.28	0.94367	0.004

Modern Looking Equipments and Fixtures	-0.2	1.17207	0.091
Comfortable Ambience	-0.08	1.1431	0.468
Clean and convenient trial rooms and rest rooms	0.13	0.96038	0.179
Convenient Display (Easy to locate merchandise)	-0.1	1.17637	0.397
Convenient Layout (Easy movement of customers)	0.17	1.22314	0.168
Attractive Shopping bags and other service material	0.53	1.3062	0
Variety of Merchandise	-0.16	1.3910	0.253
Good Quality of Merchandise	-0.1	1.23501	0.42
Employees should give prompt service	0.01	1.18488	0.933
Employees should treat customers courteously	-0.39	1.28625	0.006
Employees should be knowledgeable	-0.12	1.25754	0.342
Immediate response to customer request	-0.38	1.28535	0.004
Customers should get individual attention	-0.15	1.33617	0.264
Transactions and records to be error free	0.09	1.03568	0.387
Customers should get immediate attention if they have any problem	-0.15	1.33617	0.007
Service to be performed right for the first time	-0.1	1.35214	0.461
The store should handle returns and exchanges	-0.1	1.19342	0.404
Returns and exchanges should be on time	-0.32	1.30948	0.016
Employees should handle customer complaints directly and immediately	-0.4	1.26331	0.002
Customers should be treated courteously on telephone	-0.39	1.10914	0.001
Acceptance of Major Credit Cards	0.03	0.86987	0.731
Store should have its own Loyalty Card	0.05	1.2008	0.678

From the above analysis it observed that out of 26 parameters, hypothesis gets rejected on 8 parameters. These 8 parameters are discussed here.

- Customers are not satisfied about the parameter 'Convenient working hours' is related to the requirement of customers about extended working hours. The selected sample of customers belongs to working class and may find it difficult to visit these shopping outlets on working days.
- Though the hypothesis gets rejected on parameter 'Visually appealing physical facilities', the mean gap score is positive and we can conclude that customer's perceptions exceed expectations resulting satisfied customers.
- Other parameters on which hypothesis gets rejected are 'Employees should treat customers courteously', 'Immediate response to customer request', 'Customers should get individual attention', 'Returns and exchanges should be on time', 'Employees should handle customer complaints directly and immediately', 'Customers should be treated courteously on telephone'. All these parameters are related to employee behavior. The reasons for this could be most of the employees on the floor of retail stores are temporary (on contract), sometimes poorly paid and not properly trained. Retailers should seriously look into these factors.

Customers are satisfied about the other 18 parameters. Even though we may observe negative mean satisfaction scores, they are not very significant.

## LIMITATIONS OF THE STUDY

This study was carried out in Mumbai therefore the results may not be generalized to the country as a whole. The convenient sampling method was adopted. The small sample size of 100 may not be adequate. If the survey is done in other parts of the country, the results may differ. Cultural aspects also may influence certain dimensions and also some more dimensions have to be added or deleted.

## CONCLUSION

SERVQUAL and RSQS models have 5 factor structures but the factor analysis of the data shows 8 factors. So these models could not be validated. Knowing important parameters related to customer expectation can help retailers in designing their strategies and policies related to store location, layout, working hours etc. HR policies also need to be designed based on customer expectations. The customers are not satisfied on certain parameters as it is observed when the customer satisfaction scores are negative. This study will help in understanding the areas of improvement in service quality of retail store.

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## Annexure 1

Rotated Component Matrix								
	Components							
	1	2	3	4	5	6	7	8
Immediate response to customer request	<b>0.88</b>	0.04	0.02	0.06	-0.03	-0.02	-0.05	0.09
Employees should treat customers courteously	<b>0.86</b>	-0.04	0.33	0.02	0.16	0.02	0.03	0.11
Employees should give prompt service	<b>0.80</b>	0.28	0.20	0.03	-0.04	0.18	0.06	0.09
Employees should be knowledgeable	<b>0.76</b>	0.30	-0.15	-0.13	0.23	-0.01	0.19	-0.17
Customers should get individual attention	<b>0.70</b>	0.24	-0.01	0.36	0.07	0.12	0.01	0.17
Returns and exchanges should be on time		<b>0.85</b>	0.15	0.17	0.02	0.07	0.14	0.06
The store should handle returns and exchanges		<b>0.75</b>	0.41	0.08	-0.01	-0.27	-0.14	-0.01
Employees should handle customer complaints directly and immediately		<b>0.74</b>	0.03	-0.06	0.34	0.11	-0.07	-0.11
Customers should be treated courteously on telephone		<b>0.54</b>	-0.06	0.34	0.03	0.50	-0.07	0.24
Customers should get immediate attention if they have problem		<b>0.52</b>	-0.18	0.26	0.37	-0.09	-0.14	0.00
Transactions and records to be error free		<b>0.51</b>	0.24	0.18	0.04	0.43	-0.09	0.13
Good Quality of Merchandise			<b>0.79</b>	-0.08	0.12	0.12	0.13	0.07
Clean and convenient trial rooms and rest rooms			<b>0.63</b>	0.21	0.12	0.39	-0.06	-0.09
Variety of Merchandise			<b>0.57</b>	0.54	0.18	-0.16	-0.11	-0.01