

ANALYTICAL STUDY ON RETAIL SERVICE QUALITY OF ORGANIZED RETAIL SECTOR IN TRICHY

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Abstract

Customer service assumes vital importance in the marketing programs of all modern organizations, specifically service organizations. The retail sector comes under service industry and the main focus is on the efficient and effective delivery of services to the customers. The most important factors in the retail sectors are, quality of the product delivered and customer satisfaction. The best way of surviving and prospering in the competitive environment is through providing prompt, relevant and efficient customer services at measurable cost with comfortable environment.

The purpose of this study is to diagnose retail service shortfalls accurately in organized retail sector through assessing and comparing the perceptions of consumers.

This Study deals with measurement of Retail Service Quality of Organized Retail sector in Trichy. It investigates the discrepancy between customers' expectations and perceptions towards the quality of service offered by the organized retail sector. Dabholkar's (1996) retail service quality instrument in measuring the gap between the customers' expectations and their perceptions about the service quality of retail stores in Trichy. This is an analytical study of retail service quality dimensions in the competitive service environment. The results support the multidimensional structure of service quality. The findings of the study will enhance understanding of the consumer's expectations, and the consequent need for improving retail service quality.

Key words: Service quality, Supply chain

Introduction

The retail can be described as the act of selling of goods and merchandise from a fixed location. In other words retailing is a distribution channel function where the retailing organization will buy/ get products from certain manufacturers or wholesaler and then sell it directly to consumers. A retailer is a reseller from which a consumer purchases products. The origin of the word retail is considered to be from the French word retailer which means to "cutting off, clip and divide" in terms of tailoring. Likewise, retailing involves breaking larger consignments of products into smaller packages for general consumption. The concept of retail exists from the time currencies came into being, if not from the days of barter system.

Organized retail refers to the set-up of any retail chain supported by a well defined supply chain. This supply chain has less number of middlemen compared to the unorganized sector. Due to a number of factors like cutting down of middlemen, removing of bottlenecks along the supply chain, efficient processes, etc., the end the user gets a better product at a cheaper price compared to the unorganized retail sector. As the consumer base is growing by the minute, the organized retail sector has immense growth potential.

Indian organized retail market is growing at a fast pace due to the boom in the Indian retail industry. In 2005, the retail industry in India amounted to Rs 10,000 billion accounting for about 10% to the Country's GDP. The

organized retail market in India out of this total market accounted for Rs 350 billion which is about 3.5% of the total revenues.

Retail market in the Indian organized sector is expected to cross Rs 1000 billion by 2010. Traditionally the retail industry in India has been largely unorganized, comprising of drug stores, medium & small grocery stores. Most of the organized retailing in India have started recently and is concentrating mainly in metropolitan cities.

The growth in the Indian organized retail market is mainly due to the change in the consumers' behavior. This change has come on the consumer due to increased income, changing lifestyles, and patterns of demography which are favorable. Now the consumer wants to shop at a place where he can get food, entertainment, and shopping all in one roof. This has given Indian organized retail market a major boom.

Retail market in the organized sector in India is growing and it can be seen from the fact that 1500 supermarkets, 325 departmental stores, and 300 new mega malls are being built all over India. Many Indian companies are entering the market which is giving Indian organized retail market a boost. One such company is the Reliance Industries Limited. It plans to invest US\$ 6 billion in the Indian retail market by opening 1000 hypermarkets and 1500 supermarkets.

Organized retail in India is at once a promising and challenging prospect. New entrants can learn a lot from those currently operating in the Indian organized retail sector. This comprehensive case study of a domestic organized retailer provides an in-depth view of the levels of adaptation required to succeed in the Indian retail sector.

An important aspect of the current economic scenario in India is the emergence of organized retail. There has been considerable growth in organized retailing business in

recent years and it is poised for much faster growth in the future. Major industrial houses have entered this area and have announced very ambitious future expansion plans. Transnational corporations are also seeking to come to India and set up retail chains in collaboration with big Indian companies. However, opinions are divided on the impact of the growth of organized retail in the country. Concerns have been raised that the growth of organized retailing may have an adverse impact on retailers in the unorganized sector. It has also been argued that growth of organized retailing will yield efficiencies in the supply chain, enabling better access of the markets to producers (including farmers and small producers) and enabling higher prices on the one hand and lower prices to consumers, on the other. In the context of divergent views on the impact of organized retail, it is essential that an in-depth analytical study on the possible effects of organized retailing in India is conducted. (Impact of Organized Retailing on the Unorganized Sector, Mathew Joseph, Nirupama Soundararajan, Manisha Gupta, Sanghamitra Sahu May 2008).

Organized retail in India refers to the modern retail formats like supermarkets and hypermarkets prevalent in most developed countries. This form of retail accounts for a painfully low 2 per cent of the retail industry, but is growing at a healthy 35 per cent and is expected to cross the INR 1000 billion mark by 2010. Organized retail remained a dormant sector largely due to the lack of infrastructure for large-scale retail, absence of product variety and a conservative Indian consumer. Today the flood of products in the market coupled with a wealthier and more informed Indian consumer, have created the atmosphere for the entry of organized retail to tap the \$320 billion Indian retail industry.

Organized retail represents a large untapped market in India that is likely to see tremendous growth in the coming years. New

entrants are bound to see large returns. However, they must adapt themselves to the unique state of retail in India where infrastructure and regulations provide little support. They must also understand the tastes of the Indian consumer who has only recently started treating retail as a form of leisure.

In the meantime, organized retail will continue to displace many unorganized retailers who are no match for the large-scale corporations. Those street-vendors of the bottom or unorganized retail will be forced to turn back to agriculture or some other form of livelihood. Yet, corner-stores and hawkers will continue to be a part of the Indian retail experience. These retailers have always survived on small, diverse sales with small margins. In that regard, they do not compete in the same market as organized retail. The Indian consumer may have undergone a transformation, but the transformation is only partial. His higher income, increased exposure and greater willingness to spend will spur the organized retail sector. Meanwhile the conveniences of home-delivery, purchases on credit and proximity offered by the unorganized sector will drive him to the nearest corner-store or street vendor for his small, just-in-time purchases. Organized retailers are unlikely to worry about the threat of unorganized retail as both forms of the retail business cater to different preferences.

Objectives

1. To determine the Perception and Expectation level of the customers of Organized Retailing at Trichy, Tamil Nadu, India.
2. To measure the significant difference between the expectation and perceptions towards various aspects of retail service quality of Organized Retailing
3. To suggest ways to improve the retail service quality of Organized Retailing.

4. To know the customer expectation towards Organized Retailing service.

Retail Service Quality

Since services are intangible, heterogeneous and inseparable, it is difficult to measure service quality objectively. Over the years, many researchers have proposed and evaluated alternative service quality models and instruments for measuring service quality. Among these models, SERVQUAL (Parasuraman et al., 1985) is the most prominent and the most widely used. The authors of this model proposed that the consumer's opinion of quality be formed by an internal comparison of performance with expectations. Good service quality means that the customers' perceptions of service performance meet or exceed their expectations of what the service firm should provide. Through in-depth interviews and focus group discussions with firms in four different service industries, Parasuraman et al., (1985) identified five determinants of service quality. The five dimensions include tangibles, reliability, responsiveness, assurance and empathy.

The SERVQUAL scale has been widely used to measure service quality in different service contexts, such as professional services (Freeman and Dart, 1993), healthcare (Lam, 1997), tourism (Tribe and Snaith, 1998), business school (Pariseau and McDaniel, 1997) and information systems (Kettinger and Lee, 1994). It has also been widely tested for its validity and reliability (Babakus and Boiler, 1992; Bolton and Drew, 1991; Cronin and Taylor, 1992, 1994). In spite of the fact that some of these studies failed to support the five dimensional factor structures, Parasuraman et al., (1993) defended the five-factor structure of service quality on conceptual and practical grounds.

Dabholkar, Thorpe and Rentz (1996) proposed an instrument based on SERVQUAL, which measures service quality in a retailing

environment. This instrument also captures, apart from the common dimensions that are likely to be shared by pure service & retail environments, additional dimensions of retail service quality relevant to the retail environment. But very few studies have utilized the instrument for evaluating service quality of retail stores. Only one study was found (Boshoff, 97), which evaluated the reliability of the instrument in South African retail environment. Although the study found the instrument to be valid and reliable for measuring retail service quality in South Africa, its applicability in India is not yet investigated through a formal research. To fill this research gap, this study replicates Dabholkar et al., (1996)'s work and evaluates their retail service quality instruments' reliability.

Retail Service Quality Instrument

Dabholkar et al, (1996) proposed that retail service quality has a hierarchical factor structure. Consumers think retail service quality at three levels-a dimensional level, an overall level, and a sub-dimensional level. Dabholkar et al, (1996) 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 subgroups.

Dimensions of Service Quality

The Retail Service Quality instrument has been the predominant method used to measure customer's perceptions of service quality. It has five generic dimensions or factors which are stated as follows. They are generally referred to as 1 R and 4 P's

1. Reliability - The second dimension has two sub-dimensions and other variations. Customers view reliability as a combination of keeping promises (Dabholkar, et al, 1996). Availability of merchandise (Westbrook, 1981) is also a

measure of the reliability dimension and is incorporated into doing-it-right sub dimension.

2. Physical aspects - The first dimension, 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 (Baker et al., 1994). In addition, the retail literature suggests that customers value the convenience of shopping that physical aspects, such as store layout, offer to them (Gutman and Alden, 1985; Hummel and Savitt, 1988; Mazurskyandjacoby, 1985; Oliver, 1981).
3. Personal interaction - The third dimension has two sub-dimensions - service employees inspiring confidence and being courteous/ helpful. These sub-dimensions are very closely related and focus on how the customer is treated by the employee.
4. Problem solving - The fourth dimension addresses the handling of returns and exchanges as well as of complaints. Service recovery is recognized as a critical part of good service (Hart, Heskett, and Sasser, 1990, Kelley and Davis, 1994). Recognizing and resolving problems should emerge as a separate factor in customer evaluation. Westbrook (1981) found that customers were quite sensitive on how service providers attend to problems and complaints. Westbrook, along with Mazursky and Jacoby (1985) also mentions that the ease of returning and exchanging merchandise is very important to retail customers.
5. Policy - The fifth dimension captures aspects of service quality that are directly influenced by store policy. When customers evaluate whether a store has convenient hours, for example, this is

viewed as whether the store's policy is responsive to customers' needs. Westbrook (1981) and Mazursky and Jacoby (1985) report that an important criterion on which customers evaluate stores is the credit and charge account policies of the store. Customers also appear to value parking availability for retail shopping (Oliver, 1981).

Based on the above dimensions, the proposed measurement tool is suited for studying retail businesses that offer a mix of services and goods, such as department or specialty stores, to gather benchmark data regarding current levels of service quality as well as to conduct periodic "checks" to measure service improvement. The instrument could serve as a diagnostic tool that will allow retailers to determine service areas that are weak and in need of attention. Apart from its wide applicability and rigorous development, the use of the instrument should follow proper testing under the contextual conditions.

Retail Service Quality Measurement

Clearly, from a best value perspective, the measurement of service quality in the service sector should take into account customer expectations of service as well as perceptions of service.

Retail Service Quality is the most often used approach for measuring service quality has been to compare customer's expectations before a service encounter and their perceptions of the actual service delivered.

Research Design

The research design is descriptive in nature as the researcher has made attempts to describe characteristics as they are.

Sample procedure

For this study non-probability convenience sampling method is adopted to collected data from customers in Trichy. In the cases of selection of convenience sampling as the name itself defines that the samples chosen from the sampling units are on the basis of convenience to the researcher.

Sample size: Sample size chosen here for this study was - 80 customers in Trichy.

Data Collection: The data collected by the researcher using a Likert scale method questionnaire.

Nature and source of data: Data required for the study have been obtained from customers who purchase products in various Organized Retail sector, Trichy.

The primary data: primary data was collected from well furnished pre - structured questionnaire.

The secondary data: secondary data was collected from journals and magazines.

Gap Analysis: The Gap Model is an effective tool for identifying and rectifying service quality and service delivery gaps.

The formula used to calculate gap is =
Expectation Mean Score - Perception Mean Score

Table-1 Gap Analysis based on Reliability

S.No.	Description	Expectation Mean score	Perception Mean score	Gap
1	When Organized Retail sector promise to do something by a certain time, they do.	4.69	4	0.69
2	When a customer has a problem, Organized Retail sector will show a sincere interest in solving.	4.48	3.44	1.04
3	Organized Retail sector will perform the service right the first time.	4.29	3.71	0.58
4	Organized Retail sector will provide the service at the time they promise to do so.	4.48	3.38	1.1
5	Organized Retail sector will insist on error free records.	5	4.86	0.14
TOTAL GAP				3.55

Table-2 Gap Analysis based on Policy

S.No.	Description	Expectation Mean score	Perception Mean score	Gap
1	The behavior of employees in Organized Retail sector will instill confidence in customers.	4.68	3.99	0.69
2	Customers of Organized Retail sector will feel safe in transactions.	4.68	3.49	1.19
3	Employees of Organized Retail sector will be consistently courteous with customers.	4.68	3.25	1.43
4	Employees of Organized Retail sector will have the knowledge to answer customers questions.	4.85	4.25	0.60
5	Organized Retail sector will give customers individual attention.	4.38	3.6	0.78
TOTAL GAP				4.69

Table-3 Gap Analysis based on Physical Facility

S.No.	Description	Expectation Mean score	Perception Mean score	Gap
1	Organized Retail sector will have modern looking equipment	4.56	4.25	0.31
2	Physical facilities at Organized Retail sector will be visually appealing	4.25	3.81	0.44
3	Employees at Organized Retail sector will be neat appearing	4.63	4.25	0.38
4	Materials associated with the service (such as menu cards, pamphlets or marketing literature) will be visually appealing in an Organized Retail sector	4.38	3.69	0.69
TOTAL GAP				1.82

Table-4 Gap Analysis based on Personal Interaction

S.No.	Description	Expectation Mean score	Perception Mean score	Gap
1	Organized Retail sector will have employees who give Customers personal attention.	4.13	3.64	0.49
2	Organized Retail sector will have their customer's best interests at heart.	4.26	4.11	0.15
3	The employees of Organized Retail sector will understand the specific needs of their customers.	3.85	3.29	0.56
4	Organized Retail sector will have operating hours convenient to all their customers.	4.31	3.29	1.02
TOTAL GAP				2.22

Table-5 Gap Analysis based on Problem solving

S.No.	Description	Expectation Mean score	Perception Mean score	Gap
1	Employees of Organized Retail sector will tell customers exactly When services will be performed.	4.53	3.66	0.87
2	Employees of Organized Retail sector will give prompt service to Customers.	4.26	4.03	0.23
3	Employees of Organized Retail sector will always be willing to help customers.	4.61	3.31	1.30
4	Employees of Organized Retail sector will never be too busy to respond to customers requests.	4.68	3.28	1.40
TOTAL GAP				3.80

Findings

Based on the analysis of the data collected using gap analysis tool, the following inferences are made:

- ™ the Organized Retail sector have more physical facility due to less gap up to 1.82
- ™ the Organized Retail sector have less reliability compared to physical facility due to the gap of 3.55
- ™ The Organized Retail sector has less problem solving towards the customers compared to Reliability due to gap of 3.80.

™ The Organized Retail sectors have very less Policy towards the customer compared to Problem solving due to gap of 4.69.

™ The Organized Retail sectors have more Personal interaction towards its customer compare to Policy due to gap of 2.2.

™ On overall analysis, it is confirmed that Organized Retail sector have more Physical facility than Personal Interaction, Reliability, Problem solving and Policy.

Conclusion

Based on findings from the research, it can be concluded that Organized Retail sector offers a variety of services to the customers. The methodology used is a typical proof to show that the study is scientific. Most of the customers prefer Organized Retail sector because of more Tangibles and Empathy towards its customers. In order to retain and attract new customers, the organized retail sector should improve customer's service level and should provide assurance towards its customer.

The instrument developed by Dabholkar et al., (1996) undoubtedly had a major impact on the business and academic communities. As is evident from the study, the five-factor structure as proposed by Dabholkar et al., (1996) is very useful as a foundation for discussion and determination of areas for improvement in retail stores' service quality. The reliability of the instrument under Indian retail conditions was also found to be quite acceptable. The future research works on fine-tuning the instrument under Indian conditions have definitely got a startup that can drive the research. Using the instrument with little adaptation, many organized retail stores can carry out service quality perception study of their customers and identify important areas for improvement. This study was, therefore, able to highlight how important it is for a organized retail store to conduct a survey and consider the opinions of its customers in identifying areas for retail service quality improvement.

Since Retail service quality is associated with future spending behaviour in terms of the customer's intention to visit, purchase and recommend the store to family and friends, all the underlying dimensions of service quality play a role in stimulating repeated store patronage and the spread of good word-of-mouth. However, it is notable to point out that responsiveness and assurance

did not record strong positive impact in the minds of the customers while they go for an organized retail sector, as compared with the other dimensions. It is valuable for the retailers to apply prompt and professional way of responsiveness and assurance, as this can certainly create customer delight. Being proven valid and reliable, the Retail Service Quality Dimension provides many uses to both practitioners and academicians intending to examine retail service quality seriously at a deeper level. This study is useful that it can be used for benchmarking current levels of retail service quality as well as in carrying out periodic inspections to measure retail service performance and improvement. This study, allows the retailer to detect problematic areas of service quality within the stores that are in need of attention. With this, the retailer is able to focus his resources on improving the particularly weak aspects of its service. This study will be more useful to the organized retail sector for retaining of existing customers and understanding the behavior of the customers and their expectations.

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