

## SERVICE QUALITY AND CUSTOMER SATISFACTION IN ORGANISED RETAIL SECTOR IN INDIA

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### Abstract

Supermalls are replaced by 'kirana' stores all over India. India's retail infrastructure is witnessing change as many supermalls are being constructed and operating in various cities. The Indian consumers are changing in terms of personality, buying motives, interests, attitudes, beliefs and values when he or she is making a shift from 'kirana' stores towards shopping malls. The level of customer satisfaction can be affected by the attractiveness and well-functioning environment of shopping malls. The research paper attempts to measure the quality of service offered by shopping malls. It also tries to investigate the relationship between service quality and customer satisfaction. Five dimensions i.e. physical aspects, reliability personal interaction, problem solving, and policy were used to assess the quality offered by the mall management. In order to achieve the aims, both primary and secondary sources of data were used. The primary data were collected through administrating questionnaire. Convenient sampling procedure was used to obtain 300 responses from customer of shopping malls in Delhi. Multiple regression was used to investigate the relationship between dependent and independent variables. Findings of this research reiterate the point of view that Service Quality dimensions are crucial for customer satisfaction in retailing sector with high growth potential and opportunities in fast growing economies like India's. There are several limitations that warrant future research. The study was conducted in Delhi, India. The result of the same, if conducted in other part of the country may vary. Resource and time constraints led the researcher to select a limited sampling frame future research can be carried out by taking large sample size.

**Keywords:** Service Quality, Perception, Satisfaction, Shopping mall.

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## 1. Introduction

High competition exists in Indian retail environment. This sector is the second largest provider of employment after agriculture and also the second largest untapped market after China. There are some 12 million retail outlets across the country and contributes to more than ten percent of the country's GDP. The sector is witnessing a radical change as traditional retail markets are replacing with new formats such as departmental stores, hypermarkets, supermarkets reflecting the western style. The malls have started developing not only in metros but also in Tier II cities providing the Indian consumer a new shopping experience. The sector has grown due to the changing life styles, favourable demographics, increasing disposable incomes, usage of plastic money, growth of middle class and an opportunity to tap the rural India. Indian retail market is estimated to grow from \$427billion in 2010 and expected to reach \$637 billion by 2015 (Srivastava 2008).

The expectation of customers from the retailers to match or exceed their needs have made the market place more competitive (Wong and Sohal, 2003). With the growth of homogeneity between merchandise offerings, malls are increasingly turning to the delivery of effective customer services to render a competitive advantage (Ellram et al., 1999). In a highly competitive world maintaining customer satisfaction is crucial for the retailers. (Fonseca, 2009).

The quality service or the things that are considered to satisfy customers today may be different tomorrow. The entire discussion of quality and satisfaction is based on customers' perceptions of the service not some predetermined objective criteria of what service is or should be.

Service quality assessment specifically focuses on dimensions of service. Based on this view, perceived service quality is a component of customer satisfaction. Service quality is a focused evaluation that reflects the customer's perception of elements of the service such as interaction quality, physical environment quality, and overcome quality.

Service quality is defined as "a global judgment or attitude relating to the overall superiority of the service" (Parasuraman, Zeithmal and Berry, 1988). In service organizations, customer perceived service quality is considered as one of the key determinants of business performance (Parikh, 2006). The issue of how best to conceptualize and operationalized service quality is still a subject of heated debate (Cronin and Taylor, 1994).

However it is generally agreed that service quality is a multi dimensional or multi- attribute construct (Cronin and Taylor 1992; Parasuraman, Zeithmal and Berry, 1988). Good service quality means that the customers' perception on service performance meet or exceed their expectations of what the service firm should provide (Parikh, 2006).

## 2. Need for the study

In today's competitive retailing scenario, providing service quality to the customers has become the basic tool for retailers and to enhance shopping experience. The quality of services offered affects customer satisfaction, company revenues, cross selling and also repeat purchase behaviour (Berry, 1986; Hummel and Savit, 1988; Reichheld and Sasser, 1990). Due to this Indian retail industry has to face challenges day by day. To face the challenges and grow in the market with the growing importance of services, delivering high quality services has become the basic retailing strategy. The present paper studies the impact of service quality on shopping mall customer satisfaction, identifies the important factors of service quality from customer's perspective. It also tries to investigate the impact of service quality on customer satisfaction.

## 3. Literature Review

### 3.1 Customer Satisfaction

According to (Homburg and Giering, 2001) customer satisfaction is defined as a post-choice evaluative judgment concerning a specific purchase decision. Additional research into customer satisfaction claims that satisfaction should be viewed as a judgment based on cumulative experience with a particular product or service rather than a transaction specific encounter (Anderson et al., 1994). Tse and Wilton (1988) opined that satisfaction is a general psychological phenomenon, describing the emotional state resulting from an evaluation of the perceived discrepancy between prior expectations and actual performance of the product or service.

Many individual companies, industries, and even countries monitor customer satisfaction on a continual basis (Fornell, 1992). Customer satisfaction is an important construct as satisfaction is a critical measure of a firm's success (Fonseca, 2009). The level of customer satisfaction has been shown to influence attitude and word of mouth communication (Sivadas and Baker-Prewitt, 2000); to be a good predictor of future purchase behaviour (Garbarino and Johnson, 1999;

Kasper, 1988); to influence profit (Anderson et al., 1994); and, in the long run, to lead to store loyalty (Oliver, 2010). Furthermore, Huber et al. (2001) found satisfied customers are willing to pay premium prices.

There appears to be perpetual interest in customer satisfaction as a means of evaluating performance. According to Kotler and Keller (2011), high customer satisfaction ratings are widely believed to be a leading indicator of a company's financial health. Many firms use customer satisfaction as a criterion for diagnosing product or service performance and even tie customer satisfaction ratings to executive and employee compensation (Anderson and Sullivan, 1993). Retailers therefore recognise that customer satisfaction plays a key role in a successful business strategy (Gomez et al, 2004) and it is therefore crucial for managers to understand what drives customer satisfaction (Martinez-Ruiz et al, 2010).

### **3.2 Retail Service Quality Dimensions**

Retail stores have evolved from providing only physical products that address consumers' needs (Pan and Zinkhan, 2006) to offering a solution centre that integrates the sale of both physical products and value-added services to attain competitive advantages (Davies et al, 2006). Cracking this code can lead to higher levels of customer retention, increased sales and, in turn, improved profits (Parasuraman, 1988).

Several studies, such as Long and McMellon (2004), Kim & Jin (2002), Siu and Cheung (2001), Sweeney et al (1997) and Dabholkar et al (1996), have explored important dimensions of service quality within the retail sector. Specifically, within the supermarket sector, Vázquez et al (2001) and Huang (2009) found Physical Aspects, Reliability, Personal Interaction, Problem Solving and Policy to be prominent. These dimensions are discussed below and have been adopted for the purpose of this study.

#### **3.2.1 Physical Aspects:**

(Huang, 2009 and Vázquez et al, 2001) defined physical aspects as the retail store appearance and store layout. The store environment, facilities and even imagery thereof have become factors which retailers can use to gain the competitive edge and influence customer satisfaction (Dabholkar et al, 1996). Physical environment plays a particularly important role in the service encounter of the grocery sector (Keillor et al, 2004) and exemplary retailers insist on store

cleanliness, as well as a layout that enables customer orientation and product identification (Vázquez et al, 2001).

### 3.2.2 Reliability Aspects

The construct of reliability measures the store's ability to deliver the service that has been promised to customers accurately, and without error (Huang, 2009 & Vázquez et al, 2001). This implies that the store must practice a philosophy of getting it right first time, all the time. It must be able to keep its promises, meet deadlines and provide timely and accurate information to customers (Newman, 2001). Accurate information includes clear product pricing, as well as correct and precise information regarding the product (Vázquez et al, 2001). Furthermore, reliability also refers to the store being able to have merchandise available when required. Interviews conducted by Dabholkar et al (1996) revealed that customers view reliability as a combination of keeping promises and 'doing it right'.

In the supermarket environment, limited availability of stock or long queues for the cash register refers to a lack of reliability on behalf of the retailer. It has been proved that long wait for the cash register can result in consumers developing negative perceptions and decreased customer satisfaction (Rigopoulou et al, 2008; Grewal, 2003).

According to Zinn and Liu (2001), a stock outage can result in the consumer leaving the store and forgoing the purchase to search for the item elsewhere. Furthermore, in the long run, continuous stock outages could have a negative impact on future patronage, and result in detrimental perceptions and negative word of mouth (Grant & Fernie, 2008).

### 3.2.3 Personal Interaction:

Sales assistants play a pivotal role in a customer service situation, with the most important attributes being store clerk attitude and treatment of customers (Gounaris, 2008; Gagliano, 1994). The customer service offered by sales personnel is perhaps the most highly visible attribute of the service encounter. Darian et al. (2001) noted the importance of sales staffs'

knowledge regarding new products, prices, and other variations of store offerings, as well as commenting on the importance of treating the customer with respect.

Employees are often viewed as facilitators of the sales process, as they play a crucial role in improving the conversion ratio. Furthermore, employees also provide customers with assistance in navigating store aisles and selecting complementary items (in effect, cross-selling) when required (Jamal and Adelowore, 2008; Hennig-Thurau, 2004; Sweeney et al, 1997).

### 3.2.4 Problem Solving:

Problem solving refers to the store's capability of handling returns and exchanges, as well as processing customers' problems and complaints. It includes the store's ability to express a sincere and genuine interest in solving the customer's problem and extends to the ability of staff to handle complaints directly and immediately (Swanson and Kelley, 2001; Vázquez et al, 2001). Unless dealt with effectively, service failures have been shown to arouse dissatisfaction and anger, leading to disastrous consequences for the store (Chang et al, 2008).

There is evidence to support that customers have more favourable perceptions of stores that have effective problem solving processes in place (Huang, 2009). According to Lewis and Spyropoulos (2001), a good problem solving system will detect and solve problems, prevent dissatisfaction, and even encourage complaints.

Michel (2001), Halstead and Page (1992) and Singh and Widing (1981) found that dissatisfied customers were more likely to repurchase when their complaints were dealt with satisfactorily. It is therefore in the best interest of the store to ensure that adequate and effective measures are implemented in order to facilitate problem solving for the consumer. These measures can take the form of customer care lines, customer service desks, helpful staff or even a website. Moreover, it has also been found that the post-transaction service offered by the store builds credibility and influences the favourable perception of consumers in the long term (Lindquist, 1974).

### 3.2.5 Policy:

Store policy refers to a store's decisions ('policy') concerning the depth and breadth of their merchandise, their loyalty programs and credit facilities, operating hours, parking facilities and

additional customer services offered. Here, it has been found that stores endowed with good facilities are more likely to secure a favourable consumer perception (Thang and Tan, 2003). Customers expect retailers to be supportive and thus any service mechanism that suggests empathy and understanding is likely to impact favourably on perceived service quality and satisfaction (Dabholkar et al, 1996).

Brady and Cronin (2001) state that the evaluation of quality of service should include an evaluation on the performance of the physical goods offered to customers and they have therefore been introduced under policy. When shoppers perceive that the store offers a wide product assortment and that the products offer good value, they feel positive emotions like pleasure, excitement, contentment, pride, and satisfaction (Yoo, 1998). Stores that are perceived as having superior merchandising are likely to be preferred by consumers (Thang and Tan, 2003).

The evaluation of the performance of the goods on offer also includes the store's ability to stock a wide range of products; the freshness of meat, fruit and vegetables; the assortment of fresh produce available as well as high quality of private label brands (Vázquez et al, 2001). Failing to meet the expectations of the consumer in any of the aforementioned areas could result in the consumer experiencing lower levels of satisfaction. It has been indicated that continuous complaints of inconsistent produce quality could result in negative perceptions regarding the store (Bruhn and Grebitus, 2007) and hence lead to reduced levels of satisfaction.

#### 4. Objectives:

- i. To identify the factors of retail service quality of shopping malls.
- ii. To investigate the impact of service quality dimension on customer satisfaction of shopping mall.

#### 5. Hypotheses

The following hypotheses are formulated to conduct the research:

- i. Physical aspects have no significant impact on customer satisfaction within the shopping mall.

- ii. Reliability has no significant impact on customer satisfaction within the shopping mall.
- iii. Personal interaction has no significant impact on customer satisfaction within the shopping mall.
- iv. Problem solving has no significant impact on customer satisfaction within the shopping mall.
- v. Policy has no significant impact on customer satisfaction within the shopping mall.

## 6. Methodology

The research design used in this study is descriptive in nature as the facts are described as they are. The sampling method used is non-probability convenience sampling. The data is collected from the shoppers in Delhi who come to shop in the shopping mall. 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. Sampling size consisted of 300 mall shoppers in Delhi. The questionnaire comprised of demographic profiles of the customers and dimension of service quality and customer satisfaction. The data was collected using five point Likert scale. The reliability of the instrument is tested. Multiple regression is conducted to find out the impact of the retail service quality on the customer satisfaction in shopping malls.

## 7. Results

### 7.1 Reliability Analysis

Internal reliability of the constructs was tested using Cronbach Alpha. The Cronbach Alpha value above 0.6 was considered. The Cronbach Alpha value above 0.6 and above is deemed acceptable in emerging markets (Burgess & Steenkamp, 2006.) The respective Cronbach Alphas are shown in Table 1.



Table 1 RELIABILITY ANALYSIS RESULTS

Scale	No. of Statement	Cronbach Alpha
Physical Aspects	4	0.777
Reliability	4	0.629
Personal Interaction	3	0.710
Problem Solving	2	0.679
Policy	3	0.63
Satisfaction	4	0.689

## 7.2. Multiple Regression Result

Table 2: Regression Results of Service Quality and Customer Satisfaction.

Model	Coefficients <sup>a</sup>				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.746	.775		6.124	.000
PHYSICALASPECT	.077	.037	.115	2.075	.039
RELIABILITY	-.059	.055	-.059	-1.070	.286
PERSONALINTERAC TION	.301	.073	.246	4.112	.000
PROBLEM SOLVING	-.105	.116	-.056	-.909	.364
POLICY	.524	.071	.421	7.377	.000

a. Dependent Variable: Satisfaction

R<sup>2</sup>: 0.650

Table 2 indicates physical aspects, personal interaction and policy dimension of service quality have a significant impact on customers' satisfaction at 95% confidence level. Reliability and problem solving dimension have no significant impact on customers' satisfaction. Policy has the highest impact on the customer satisfaction as beta value is .421 followed by Personal interaction and Physical aspects.

The regression equation formed is:  $Y = 4.746 + 0.077X_1 + 0.059X_2 + 0.301X_3 + 0.105X_4 + 0.524X_5$

The value of R<sup>2</sup> is 0.650 which indicates that this regression model is capable to explain 65.0% of variation of dependent variable due to independent variables rest 35% is unexplained. This 35% is unexplained because it may depend upon other factors like consumer loyalty.

**Table 3: Result of hypotheses**

Hypotheses	Accepted/ Rejected
Physical aspects have no significant impact on customer satisfaction within the shopping mall.	Rejected
Reliability has no significant impact on customer satisfaction within the shopping mall.	Accepted
Personal interaction has no significant impact on customer satisfaction within the shopping mall.	Rejected
Problem solving has no significant impact on customer satisfaction within the shopping mall.	Accepted
Policy has no significant impact on customer satisfaction within the shopping mall.	Rejected

## 8. Managerial Implications

The results of study provide managers' information about the factors responsible for the customer satisfaction in organized retail environment. The retailers should pay more attention to the policies opening hours, parking facilities and presence of security staff secure payment method. The retailers should pay attention on the overall appearance of the store.

## 9. Conclusion

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The main aim of the study was to assess the service quality of organised retail sector and its impact on customer satisfaction. This study also found a positive relationship between all service quality dimensions and customer satisfaction. The impact of these factors on customer satisfaction has been assessed by applying multiple regression technique. After the regression analysis this has been found that dimension like “reliability” and “problem solving” negatively impact on customer satisfaction. This may be because of the reason that more time is consumed in the act of shopping in organised retail environment. Thereby, consumers do not have time to wait in the queue for the billing. Moreover they do not provide with the return policies and no complaint handling system. That may be the reason why it has a negative impact in organised retail environment. The result shows that physical aspects personal interaction and policy of the store has significant impact on the customer satisfaction while reliability and problem solving do not have the significant impact on the customer satisfaction. Hence the retailers can improve into the area of service where required. In this competitive environment the retailers should take care of the customers while formulating the strategies and try to satisfy its customers to get more falls in the stores.

## 10. Limitations

- i. There is a geographical limit which is restricted to only Delhi region.
- ii. Sample size was limited and less in number.
- iii. The research is conducted in open market place where responses could be biased because of numerous variables such as mood, feelings act on research settings.
- iv. In this research consumers are focussed and their buying motives are difficult to judge precisely and accurately.

## 11. Direction for Future Research

- i. Future research can be conducted by taking more geographical region.
- ii. A similar study could be conducted with a larger sample size so that results could be generalised to a larger population.

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