

## CUSTOMER PERCEPTION ON SERVICE QUALITY OF SELECT ORGANISED RETAIL STORE IN COCHIN CITY

Dr. Girish.K.Nair\*

Harish K Nair\*\*

### **Abstract**

The performance of the retailing sector for the past few years is outstanding and witnesses a huge revamping exercise, significantly contributed by the growth of the organized retailing. Rapid urbanization, exposure to large number of foreign brands and changing lifestyle and preferences has contributed to the growth of retailing in India. The quality of service that has been perceived by the customers irrespective of the brand or make is what ultimately results in a customer walking back to the store once again. The article provides insights into the service quality prevalent in the retail stores as perceived by the customers and how some of the factors are related with that of the socio economic factor. For the purpose of study a sample of 100 was chosen on the basis of convenience at leading retail stores in Cochin City. A questionnaire on five scale rating was administered to collect the data by way of personal interview. For the purpose of analysis and drawing inferences the statistical tools used are Cronbach Alpha, percentage analysis, Factor analysis, ANOVA, intercorrelation and regression. The six factors namely, reliability, matching customer needs and products, customer handling, customer convenience, tangibles and quality of staff were identified with the use of factor Analysis. Depending on the gender of the customer i.e. male or female the way in which the customer is handled and the quality of service varies. The higher customers' perception on service quality at retail stores will result in higher customer loyalty.

Key Words: Service Quality, Retail Service Quality, Customer Perception, Organised Retailers, Retailers

\* Team Leader – International Hospitality Management Faculty, Stenden University, Qatar

\*\*Doctoral Research Scholar, Research and Development Centre, Bharathiar University, Coimbatore, Tamilnadu, India

## INTRODUCTION

Retail industry is the most important industry presently. It is fast faced industry in the competitive environment. Modern retailing is busy shopping centers, multi-stored malls and the huge complexes that offer shopping, entertainment and food all under one roof. It has been a huge potential market. According to the BMI India Retail report for the third quarter of 2011, total retail sales in India will grow from US\$ 395.96 billion in 2011 to US\$ 785.12 billion by 2015. Fast economic growth in India and high disposable income with the end-consumer are key factors behind the forecast growth. It is changing from traditional markets to new formats such as Convenience stores, hypermarkets, super markets and specialty stores. Kerala is a consumer state rather than a product state. Margin free market is the largest retail chain in the state of Kerala, which was started from 1994. However, organized retail outlets such as Big Bazar, Super Markets, and Department stores entered Kerala and play significantly role in the economy.

Indian retailing industry has seen phenomenal growth in the last five years (2001- 2006). Organized retailing has finally emerged from the shadows of unorganized retailing and is contributing significantly to the growth of Indian retail sector. RNCOS' "India Retail Sector Analysis (2006-2007)" report helps clients to analyze the opportunities and factors critical to the success of retail industry in India.

## CONCEPTUAL FRAMEWORK

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 focuses specifically 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 operationalize 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).

The applicability of SERVQUAL in the different culture is to be considered. Donthu and Yoo (1998) found that consumers varied in both their overall expectations with regard to service quality and their expectation of each of the service quality dimensions as a result of cultural orientation.

## REVIEW OF LITERATURE

The retail environment today is changing more rapidly than ever before (Dabholkar, 1996). It is characterized by intensifying competition from both domestic and foreign companies, a spate of mergers and acquisition, and more sophisticated and demanding customers who have great expectations related to their consumption experiences (Sellers, 1990; Smith, 1989). There is a general agreement that a basic retailing strategy for creating competitive advantage is the delivery of high service quality (Berry, 1986; Hummel and Savitt, 1988; Reichheld and Sasser, 1990). Retail literature suggests that store appearance is important to retail customers (Baker, Dhruv and Parasuraman, 1994). It also suggest that the customer value the convenience of shopping that physical aspects such as store layout offer (Gutman and Alden, 1985; Hummel and Savitt, 1988; Mazursky and Jacoby, 1985; Oliver, 1981) Westbrook (1981) found that the availability of merchandise is also a measure of reliability. Customers also value parking availability for retail shopping (Oliver, 1981). Studies have also shown that the customers are sensitive to recognizing and solving the customer problems. Service quality in retailing is different from any other product or service environment (Finn and Lamb, 1991).

Customers with western cultural background might be more likely to rely on tangible cues than their Asian counterparts and that the hedonic dimensions of consumption experience might be more important for western consumers than for Asians (Mattila, 1999). The Indian consumer does not distinguish between service attributes related to Reliability and Policy. (Kaul 2007) Several studies subsequently employed SERVQUAL to measure service quality and to assess the

validity and reliability of the scale across a wide range of industries and cultural context( Carman, 1990; Finn and Lamb, 1991;Galino and Hathcote, 1994; Blanchard and Galloway,1994, Zhao, Bhai and Hui 2002; Witkowski and Wolfinbager 2002; Wong and Sohal,2003).Even empirically, several researchers find the performance perception to be sufficient in assessing service quality as compared to the gap( Carman, 1990; Angur, Natarajan and Jahera, 1999)

### **NEED FOR THE STUDY**

The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the retail industry. Big in size and turnover, Indian retailing industry is characterized by certain attributes.

These attributes are tested through service quality assessment focused on the service quality dimensions of tangibility, reliability, assurance, responsiveness and empathy. Hence it has been attempted to study the customers' perception on the service quality dimensions in the retail context.

### **OBJECTIVES**

The objectives of the study are

- (1) To identify the customers' service quality perception factors at the retail stores.
- (2) To study the association between the service quality perception factors and profile variables.
- (3) To study the intercorrelation among the service quality perception factors.

### **METHODOLOGY**

A Sample of 100 respondents was selected on the basis of convenience sampling. Retail shoppers were interviewed personally immediately after their shopping experience. The questionnaire was framed on Likert's five scale rating. For the purpose of analysis the statistical tools used were Cronbach Alpha, Percentage analysis, Factor analysis ANOVA, intercorrelation and regression.

### **ANALYSIS AND INTERPRETATION**

On classifying the profile of the respondents it was observed that among the respondents 42 percent belong to the age group of 21 to 30 years and 27 percent belong to the age group of 30 to 40 years. While grouping the customers on the basis of sex 41 percent were male and the rest 59 percent were the females.

### SERVICE QUALITY FACTORS IN RETAILING

18 service Quality variables were identified across the various dimensions of service quality namely tangibility, responsiveness, reliability, assurance and empathy. The Eigen values, reliability statistical and percentage of variance of the service quality variables are shown in the table 1.

**Table 1: Service Quality Factors in Retailing.**

Sl. No	Factors	No of Variables	Eigen Values	Reliability Statistics	Percentage of Variance Explained
1	Reliability	4	5.135	0.7729	12.838
2	Physical Aspect	4	1.771	0.6416	12.255
3	Personal Interaction	4	1.550	0.6164	10.791
4	Policy	4	1.347	0.6881	10.646
5	Problem Solving	2	1.278	0.3939	7.373
<b>KMO measure of sampling adequacy:0.780</b>			<b>Bartlett's test of sphericity: chi-square Value:946.063*</b>		

\*Significant at zero percent Level

With the use of SPSS the variables were tested for their overall reliability with the use of cronbach's alpha which yielded a result of 0.8412. The Kaiser- Meyer- Olkin measure of sampling and Bartlett's test of sphericity is has been used to find the validity of data for factor

analysis. The KMO measure of 0.780 and Chi-square value of 946.063 significant at zero percent, are confirming the validity of data for factor analysis.

The use of factor analysis yielded 6 factors namely reliability, physical aspect, personal interaction, policy and problem solving. The most important factor identified is reliability consisting of 4 variables with Eigen values of 5.135, and the percent of variables explained by this factor is 12.83 percent. The second and the third service quality variables identified are the physical aspects and personal interaction with Eigen values of 1.771 and 1.550 respectively. These two factors consist of four variables each with a reliability of 0.6416 and 0.6164 respectively, tangibility explain the service quality variables to the extent of 0.1225 whereas personal interaction explains the same to the extent of 0.1079. Policy has four factors clubbed under it with the Eigen value being 1.347 with a reliability of 0.688. The fourth factor identified is the Policy with Eigen value of 1.278 and reliability of 0.3939.

### **ASSOCIATION OF PROFILE VARIABLES WITH THE SERVICE QUALITY FACTORS**

The study associates the profile variables of the respondents with that of the service quality factors. The profile variables of Age, sex, occupation and income are considered to be more relevant and hence these profile variables are selected to study the association with the factors of reliability, matching customer needs and products, customer handling, customer convenience, tangibles and quality of staff.

The level of significance are computed and exhibited in the table 2

**Table 2: Association between Profile Variables and the Service Quality Factors.**

Profile Variables	F Statistics				
	Reliability	Physical Aspect	Personal Interaction	Policy	Problem Solving
Age	.933	1.287	1.097	1.464	.769
Gender	1.003	1.463	2.190*	1.069	1.797



<b>Occupation</b>	<b>2.392*</b>	<b>.912</b>	<b>.489</b>	<b>1.204</b>	<b>.586</b>
<b>Income</b>	<b>.652</b>	<b>.354</b>	<b>.489</b>	<b>3.558*</b>	<b>.282</b>

\*Significant at 5%

With regard to reliability, a factor of the service quality, it has been found that there is significant association with occupation. Hence it is inferred that there is significant association among the occupation with respect to reliability. There is no significant association between the factor, physical aspects and the profile variables. This leads to the conclusion that there is no significant difference in the profile variables tangibility.

Establishing the association between the profile variables and personal interaction, it has been found that gender is significantly associated with F statistics of 2.190 at 5 percent level of significance. Therefore there is a significant difference among gender and personal interaction. While associating policy with the profile variables, income is significant at 5 percent with F statistics being 3.558. It is therefore concluded that there is a significant difference among income and policy. While associating between the profile variables and problem solving, none of them are significant and hence it is inferred that there is no significant difference among them.

### **INTERCORRELATION BETWEEN THE SERVICE QUALITY FACTORS**

The intercorrelation matrix is used to study the relationship between the service quality factors. The six service quality variables namely reliability, matching customer needs and products, customer handling, customer convenience, tangibles and quality of staff have been identified. The correlation coefficients have been generated with the use of the Karl Pearson's coefficient and the results are tabulated in the table 3

**Table 3: Intercorrelation between the Service Quality Factors.**

Factors	Reliability	Physical Aspect	Personal Interaction	Policy	Problem Solving
Reliability	-	.405**	.376**	.377**	.145
Physical Aspect	.405**	-	.412**	.522**	.182*
Personal Interaction	.376**	.412**	-	.374**	.317**
Policy	.377**	.522**	.374**	-	.264**
Problem Solving	.145	.182*	.317**	.264**	-

\*\* Correlation is significant at the 0.01 level.

\* Correlation is significant at the 0.05 level.

The correlation coefficient between the factors of reliability and physical aspects is significant at 1 percent with the correlation coefficient of .405. Reliability with personal interaction is significant at 1 percent with coefficient of .376. Similarly, reliability is significantly related with policy at 1 percent with a correlation coefficient of .377. Likewise, relating physical aspects with other factors, reliability, personal interaction and policy are found to be significant at 1 percent with a correlation coefficient of .405, .412 and .522. Matching physical aspects and problem solving are significantly related at 5 percent with a coefficient of .182. The relation between personal interaction and reliability, physical aspects, policy and problem solving are significant at 1 percent with the coefficient of .376, .412, .374 and .317 respectively. The relation between policy with reliability, physical aspects, personal interaction and problem solving are significant at 1 percent with the correlation coefficient being .377, .522, .374 and .264. Problem solving is correlated with physical aspect, personal interaction and policy at 5 percent level of significance with coefficient of .182 and at 1 percent level of significance with coefficient of .317 and .264.



### SERVICE QUALITY AMONG RESPONDENTS

The service quality index was computed for the purpose of the studying the service quality at retail stores. The index was computed with the use of the formula

$$\text{Service Quality Index} = \frac{\sum_{i=1}^n \text{SSQVi}}{\sum_{i=1}^n \text{MSSQVi}} \times 100,$$

Where, SSQV =Score of service quality variables  
MSSQV= Mean score of service quality variables.

The service quality index confined to less than 30 percent, 31 to 40, 41-50 and greater than 51 percent. The distribution of the service quality variables are given in the table 4

**Table 4: Service Quality Index**

Service Quality Index (percent)	Number of Respondents	Percentage to Total
<30	31	31
31-40	45	45
41-50	19	19
>50	5	5
<b>Total</b>	<b>100</b>	<b>100</b>

The important service quality index among the respondents is 31- 40 percent and less than 30 percent, which accounts for 45 and 31 percent respectively. It leads to the inference that the service quality perception among the respondents in the retail is moderate.

**IMPACT OF SERVICE QUALITY FACTORS ON CUSTOMER LOYALTY INDEX**

Since the intercorrelation between the service quality factors are significant, the impact of service quality factors on the customer loyalty index has been measured with the help of stepwise regression analysis to avoid the multi-co-linearity problem.

The result of stepwise regression analysis is presented in table 5

**Table 5: Variation in level of Customer Loyalty.**

Step	Service Quality entering in Regression	Degree of Freedom	'F' Value	Percentage of variance explained by Regression 'R <sup>2</sup> '
1	Factor 4	1,168	205.12	55.00
2	Factor 4+ Factor 3	2,167	314.394	78.20
3	Factor 4+ Factor 3 +Factor 1	3,166	620.74	91.70
4	Factor 4+ Factor 3+ Factor 1+ Factor 2	4,165	1231.33	96.70
5	Factor 4+ Factor 3+ Factor 1+ Factor 2+ Factor 5	5,164	2159.80	98.50

It could be inferred that the step one with only one service quality factor i.e. policy (factor 4) could explain 55 percent of the variation in the level of customer loyalty index. It has been increasing by the service quality factorize personal interaction (factor 3) along with policy, the percent of variance is increasing to 78.20 percent. In case of third step, further additions of reliability (factor 1) increase the percent of variation to 91.70 percent. Subsequently in the addition of making physical aspect (factor 2); and the problem solving (factor 5) increase the percent of variation explained to 96.7 and 98.5 percent respectively.

In the present study, step number 5 is taken as the last step. The five components included in the final step augmented for more than 98.50 percent of variation in the level of customer loyalty. From the fifth step onwards, the R2 value is decreasing. Therefore, further step is not considered. The result of stepwise regression analysis is shown in table 6.

The analysis reveals the all five included service quality factors in the subsequent steps yield a better impact of customer loyalty. The fifth step reveals that the changes in the five service quality factors included in the analysis explain the changes in the customer loyalty to the extent of 98.50percent. The higher regression coefficient is identified in the case of reliability and policy, since their respective unstandardised coefficient of 4.523 and 4.362. The 'Beta' value reveals that a unit increase in the perception of reliability and policy result in an increase in customer loyalty by 0.319 and 0.278 units respectively. The personal interaction has its own impact on the customer loyalty since its beta value is 0.315. This statistical analysis confirms that the higher perception of service quality in retail sector result in a higher customer loyalty.

**Table 6: Result of stepwise Regression Analysis.**

No	Selected Components of Service Quality	Beta	Regression coefficient	SE of regression Coefficient	'E' Value
Factor4	Policy	.278	4.362	.169	25.815*
Factor3	Personal Interaction	.315	4.047	.144	28.188*
Factor1	Reliability	.319	4.523	.137	32.898*
Factor2	Physical Aspects	.267	4.183	.178	23.439*
Factor5	Problem Solving	.135	2.094	.151	13.833*
<b>R2=0.985</b>			<b>F(5,164)=2159.802</b>		

\*significant at 5 percent level

## DISCUSSION AND SCOPE FOR FUTURE RESEARCH

The use of factor analysis has resulted in identification of five service quality factors as perceived by the customers at the retail stores namely, reliability, physical aspects, personal interaction, policy and problem solving. Each of them is found to be independent and related. In the study of association between the profile variables and the customers perception on service quality factors in retail stores, it was found that the manner in which the customers are handled at the stores vary based on gender i.e., male or female. It was also found that the customers' convenience of visit to the store varies based on the occupation whether he is a student, employed person or a businessman.

The use of intercorrelation has revealed that the five service quality perception factors namely reliability, physical aspects, personal interaction, policy and problem solving are positively correlated leading to the conclusion that the factors are correlated among them. The statistical analysis with the use of regression has confirmed that higher perception on service quality in retail sector is a result in a higher customer loyalty.

Future researchers may address on the dimensions of service quality factors for Indian retail industry. A study can be undertaken to find how the customer's evaluation of service quality factors differ within the different regions of the country, influenced by the cultural factors.

## CONCLUSION

The retailing sector growing to meet the global standards will have to evaluate on the lines of how customers perceive service quality and how they evaluate it. With the growing organized retail market and the increasing number of the competitors the customer's perception on a particular retailer is critical in determining the satisfaction and the loyalty of the customer. Measures will have to taken in the near future to provide quality as perceived by the customer rather than what they can afford and therefore calling for extensive research.

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