



The Impact of Service Quality on Customer Satisfaction: A Study on Selected Retail Stores in India

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ABSTRACT

Shopping in India has undergone a revolution with the introduction of modern formats, multiple channels and huge shifts in consumer buying behavior. Modern retailing has entered into India as is observed in the form of sprawling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof. Several studies have shown that customer satisfaction in retailing depends to a large extent on the perceived quality of service offered by the retailer. Managing perceived service quality means that the firm has to match the expected service and perceived service to each other so that consumer satisfaction is achieved. This paper aims to understand the importance and impact of service quality on the satisfaction of customers in selected retail stores in 3 Indian cities using SERVQUAL and GAP models. The paper also looks at the various service quality models and tries to assess their relative importance in successfully measuring service quality. Weighted averages and analysis of variance is applied in relevant places in order to critically examine the customers' perception towards service quality which will ultimately contribute information for the growth of performance of the organized retail outlets.

Keywords: Customer Satisfaction, Quality, Reliance, Service, SERVQUAL

JEL Classifications: M30, M31

1. INTRODUCTION

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10% of the country's gross domestic product (GDP) and around 8% of the employment. India is the world's fifth-largest global destination in the retail space. India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015, driven by income growth, urbanisation and attitudinal shifts. While the overall retail market is expected to grow at 12% per annum, modern trade would expand twice as fast at 20% per annum and traditional trade at 10%. The industry has long way to go as there is a huge opportunity in streamlining the sector. Indian retail sector is gradually inching its way towards becoming the next boom industry. Within retail, the emerging sectors would be food and grocery, apparel, electronics, e-commerce, fashion and lifestyle.

Incorporation of technology in the organised retail segment has been something to reckon with in the past few years. Use of

computers for merchandise planning and management, control of inventory costs and supplies and replenishment of goods done electronically, internal store billing, etc., has changed the face of product retailing.

Currently India constitutes only 8% of organized retail and remaining 92% is left unorganized, which may grow much faster than traditional retail. It is expected to gain a higher share in the growing pie of the retail market in India. Various estimates put the share of organized retail as 20% by 2020. The growing middle class is an important factor contributing to the growth of retail in India. By 2030, it is estimated that 91 million households will be "middle class," up from 21 million today. Also by 2030, 570 million people are expected to live in cities, nearly twice the population of the United States today.

The growing disposable income in the country is resulting in increasing consumer spending habits. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and

emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India.

Service quality is a critical component of customer perceptions about the service. Customers perceive services in terms of its quality and how satisfied they are overall with their experiences (Zeithaml, 1988). As thus, service quality is defined as customers perception of how well a service meets or exceeds their expectations (Czepiel, 1990). In the retail context, perceptions of service encounters accumulate over time and a customer's relationship with an organization depends on continuation of exchanges or interactions in present or future (Czepiel, 1990). When customers evaluate retail service, they compare their perceptions of the service they receive based on their expectations. Customers are satisfied when the perceived service meets or exceeds their expectations and vice versa. Thus in retail service, it is necessary to look at quality from the perspective of services as well as goods and derive a set of items that accurately measure this construct (Mehta, 2000). For this reason, Dabholkar et al. (1996) developed and empirically validated the retail service quality scale (RSQS) to capture dimensions important retail customers based on the triangulation qualitative research using three different methodologies: Phenomenological interviews, exploratory depth interviews, and tracking the customer through the store. Combining these qualitative findings with the existing literature and SERVQUAL, Dabholkar et al. (1996) proposed that retail service quality has a hierarchical factor structure comprising five basic dimensions, namely, 'physical aspects', 'reliability', 'personal interaction,' 'problem solving,' and 'policy,' with first three basic dimensions having two sub-dimensions each and overall service quality as a good order factor.

The sub-dimensions of the basic dimension "physical aspects" are: "Appearance" and "convenience;" the sub-dimensions of the basic dimension "reliability" are: "Promises" and "doing it right" and the sub-dimensions of the basic dimension "personal interaction" are: "Inspiring confidence" and "courteousness/helpful." Three SERVQUAL tangible items are used for measures of appearance. Studies assessing the applicability of the RSQS have reported encouraging results. Dabholkar et al. (1996) replicated their own study and found all the RSQS dimensions and sub-dimensions to be valid in the U.S. Mehta et al. (2000) found the RSQS scale was superior within the context of a "more goods and less services" environment, i.e., a supermarket, while SURVPERF was better for a retailing context where the service element becomes more important, i.e., an electronic goods retailer. Kim and Jin (2002) report the RSQS a useful scale for measuring service quality of discount stores across two different cultural contexts of U.S. and South Korea, though they did not find distinct policy dimension. Boshoff and Terblanche (1997), in a replication of the Dabholkar et al. (1996) study, report highly encouraging results for the RSQS applicability in the context of department stores, specialty stores and hypermarkets in South Africa. However, the applicability of the RSQS or other scales has never been tested in the context of transition economies. There has been a continued research on the definition, modeling, measurement, data collection procedure, data analysis etc., issues of service quality, leading to development of sound base for the researcher to conduct this study.

2. REVIEW OF LITERATURE

Sulieman (2013) in his study basic dimensions of the SERVQUAL model and its impact on the level of customer satisfaction found that there is an impact of the basic dimensions of the SERVQUAL model on the level of customer satisfaction at different levels. The study recommends the need for continuous improvement of services provided to customers, through consumer behavior studies, and work to predict customer expectations to ensure the provision of better services.

Rakesh (2012) in his study "quality assessment of Banking Industry Using SERVQUAL" found that managers in the service sector are under increasing pressure to demonstrate that their services are customer-focused and that continuous performance improvement is being delivered. Given the financial and resource constraints under which service organizations must manage it is essential that customer expectations are properly understood and measured and that, from the customers' perspective, any gaps in service quality are identified.

Amiri and Faghani (2012) in their research service quality and customer satisfaction (application of SERVQUAL model) examined the relationship between services strategies and customer satisfaction and studied the quality of the mobile banking services rendered by the banks in Iran. The researcher has used the customer satisfaction as the dependent variable and the five dimensions of service quality; namely, tangibles, reliability, responsiveness, assurance and empathy, as the independent variables.

A joint study by Kumar and Kumar (2011) on "growing prospective of retail industry in and around India" critically examined the global retail scenario with special reference to India. The authors have pointed out that, retailing has played a major role in the global economy. In developed markets, retailing is one of the most prominent industries. The study has concluded that retailing in India is gradually inching this way towards becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behaviour, ushering a in a revolution in shopping India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof.

Upadhyay and Singh (2008) in their research work entitled "measuring customer perceived value of different retail formats" opined that superior customer value gives an edge in the market. They also found that entertainment aspect of retailing or entertaining is increasingly being recognized as a key competitive tool. The study also indicates that consumer perceive hypermarkets at par with general retail outlets in delivering exchange value to them.

Parikh (2006) concentrated on the assessing the internal reliability of the retail service quality instrument by evaluating the validity of the scale. Further, the study has concentrated on the gap analysis and identification of areas for improvements in retail service quality. The study found that the gap mode of service quality does

not perform as well as the perceptions based performance measures of service quality in terms of its factor structure. The author has opined that the retail stores in India will have to improve the quality of their services significantly in order to compete successfully in the global market place.

Objectives of the Study are as follows:

1. To ascertain the services offered by the Reliance Fresh and Spencer retail stores in Kolkata, Varanasi and Ranchi cities.
2. To gauge the impact of quality gaps and its impact on customer satisfaction on several dimensions of the SERVQUAL model.

3. METHODOLOGY

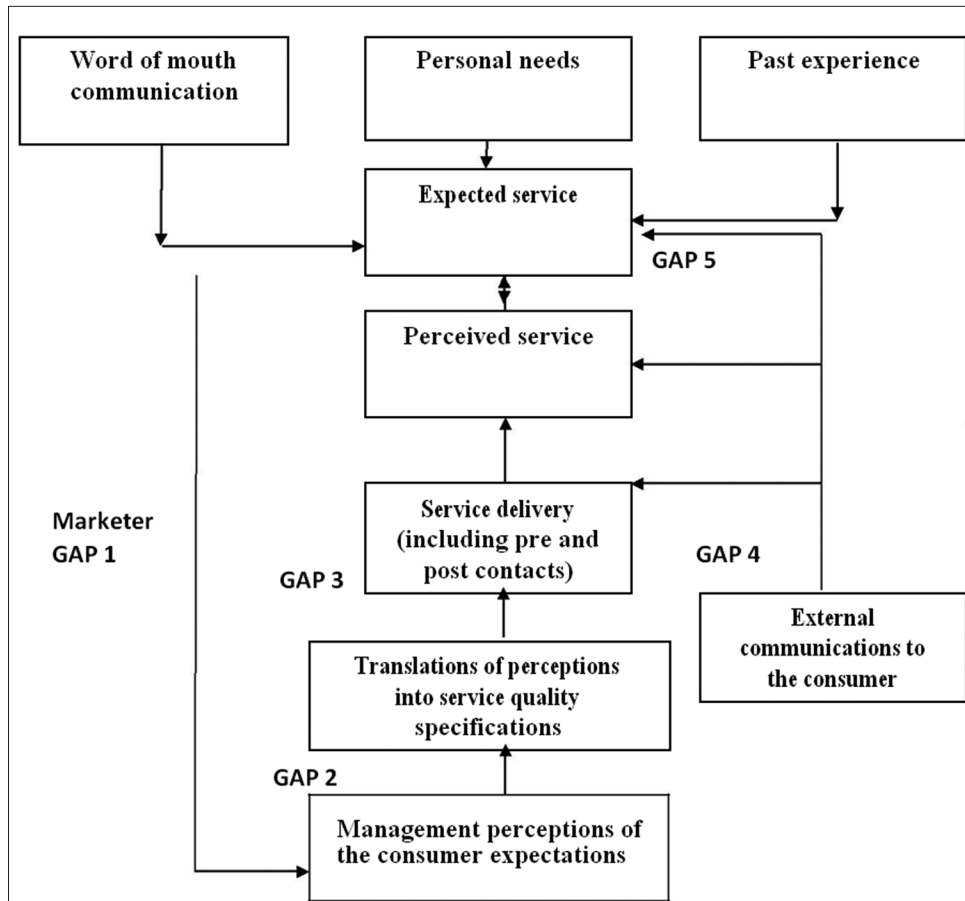
Data collection has been done through a questionnaire based on the SERVQUAL model. Random sampling technique has been used. Respondents are the customers visiting the retail stores of Reliance Fresh and Spencer Retail. Sample size is 300 respondents. 30 stores in 3 Indian cities viz., Kolkata, Varanasi and Ranchi have been randomly selected for the study. The GAP scores in the SERVQUAL have been analysed and ranked.

3.1. Service Quality Models

The researcher in the present study considers the following service models in the light of the changed business scenario. The models are presented using a standard structure, i.e., covering brief discussion and the major observations on the models for above parameters. The brief discussions on the models are as under:

1. Technical and functional quality model
A firm in order to compete successfully must have an understanding of consumer perception of the quality and the way service quality is influenced. Managing perceived service quality means that the firm has to match the expected service and perceived service to each other so that consumer satisfaction is achieved. The author identified three components of service quality, namely: Technical quality; functional quality; and image.
 1. Technical quality is the quality of what consumer actually receives as a result of his/her interaction with the service.
 2. Functional quality is how he/she gets the technical outcome. This is important to him and to his/her views of service he/she has received.
2. SERVQUAL (GAP) Model
Parasuraman et al. (1985) proposed that service quality is a function of the differences between expectation and performance along the quality dimensions. They developed a service quality model (Figure 1) based on gap analysis. The various gaps visualized in the model are:
 - Gap 1 is the difference between consumers' expectation and management's perceptions of those expectations, i.e., not knowing what consumers expect.
 - Gap 2 is the difference between management's perceptions of consumer's expectations and service quality specifications, i.e., improper service-quality standards.
 - Gap 3 is the difference between service quality

Figure 1: SERVQUAL (GAP) model



specifications and service actually delivered i.e., the service performance gap.

- Gap 4 is the difference between service delivery and the communications to consumers about service delivery, i.e., whether promises match delivery?
- Gap 5 is the difference between consumer's expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side.

An exploratory research was refined with their subsequent scale named SERVQUAL for measuring customer's perceptions of service quality (Parasuraman et al., 1988).

Measuring the quality of a service can be a very difficult exercise. Unlike product where there are specific specifications such as length, depth, width, weight, and colour, etc. A service can have numerous intangible or qualitative specifications. In addition there is there expectation of the customer with regards the service, which can vary considerably based on a range of factors such as prior experience, personal needs and what other people may have told them.

This model indicates that there are five determinants of service quality viz., Tangibility, reliability, responsiveness, assurance and empathy. The model indicates that consumer perceptions of quality are influenced by five gaps occurring in the internal process of service delivery. The basic premise is that service quality can be defined as the difference between expected service and perceived service.

3.2. SERVQUAL Score Obtained from Field Survey With Reference to Reliance and Spencer Retail Outlets

The following table shows the perceptions of the customers with reference to the various statements made in order to determine the SERVQUAL score for 5 dimensions of SERVQUAL. The responses are quantified and presented in the Table 1.

3.3. GAP Score for Reliance Retail and Spencer Retail

A highest value of 1500, i.e., (300×5) (strongly agree) is assigned for expectation score, and the score is compared with Perception score obtained in Table 2.

4. FINDINGS

From the study the analysis is focused on the five dimensions of service quality using GAP model. The tangibility, reliability, responsiveness, assurance and empathy dimensions were integrated to all the three retail companies in the select cities. The research has calculated the Gap score and weighted averages were integrated to observe the gaps in the service quality in the select cities.

From Tables 2 and 3 it is observed that with reference to the "tangibility" dimension, the average gap score (-734.25) is very much higher than the average SERVQUAL score (-594.78). Hence it is observed that majority of the customers of Reliance have

opined tangibility dimension has to be improved. Further, it is clear that the retail outlets features are not visually appealing and retail outlets reception desk employees are not appearing neatly. Whereas the customers opinioned that retail outlet has modern looking equipment and material associated (like brochures and pamphlets) are available as an effective source of information to the customer.

With reference to "Reliability" dimension, the average gap score (-527.4) is lower than the average SERVQUAL score (-594.78). Hence it is observed that majority of the customers of Reliance have opined reliability dimension is up to the mark. Further, it is clear that the when the retailer promises do to something by a certain time, they do so and they perform the service right at the first time and they also insist on error free transactions. But, when a customer is having a problem, it is not taken as a seriously to resolve the problem. Hence, it can be a deficiency to the company and lower the quality of service, thus resulting in the dissatisfaction of a customer.

With reference to "responsiveness" dimension, the average gap score (-547.75) is lower than the average SERVQUAL score (-594.78). Hence it is observed that majority of the customers of Reliance have opined Responsiveness is effective. Further, it is clear that the employees in the retail outlet are promptly attempt to the request and queries of customers, which is a good sign of service attitude. But there is a lack in informing to the customer exact time of transaction completion, and their willingness to help the customers are not impressive, thus resulting in not delivering a prompt service to the customer visiting the retail outlet.

With reference to "Assurance" dimension, the average gap score (-477.5) is lower than the average SERVQUAL score (-594.78). Hence it is observed that majority of the customers of Reliance have opined that assurance dimension is quite effective. Further, it is clear that the behavior of the employees instill the confidence in the customers and as well as the knowledge level of employees is high, resulting in a favourable opinion of the customers. On the other hand, courteousness and making the customer convenient in terms of safety and secure are lacking, which may result in losing customers in the long run.

With reference to "Empathy" dimension, the average gap score (-687) is higher than the average SERVQUAL score (-594.78). Hence it is observed that majority of the customers of Reliance have opined that empathy dimension is tampering the quality of services of retailer. Further, it is clear that the operating hours are not so convenient and employees are lacking in serving and assisting the customers, which is diluting the opinion on retailer thus leading to dissatisfaction. But the survey results shows that, employees show a best interest at heart and they are always ready to listen and they understand clearly what customers need and asking for with individual attention. This results in customer's interest in visiting the store as well as helps in making a positive reinforcement to visit the store again.

Table 1: SERVQUAL score for reliance retail and spencer retail

Statement	Perception					Total	Total score
	Strongly agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly disagree (1)		
Tangibility							
The retail outlet has modern looking equipment	13	32	121	83	51	300	773
The retail outlets features are visually appealing	17	33	107	79	64	300	760
The retail outlet's reception desk employees are neat appearing	20	29	111	67	73	300	756
Material associated with the service (such as pamphlets or statements) are visually appealing at the retail outlet	19	22	132	68	59	300	774
Reliability							
When the retail outlet promises to do something by a certain time, they do	53	101	49	61	36	300	974
When you have a problem, the retail outlet shows a sincere interest in solving it	51	97	46	59	47	300	946
Retail outlet executes the transaction right the first time	49	112	51	54	34	300	988
The retail outlet provides its service at the time it promises to do so	47	108	54	58	33	300	978
The retail outlet insists on error free transactions	43	116	53	51	37	300	977
Responsiveness							
Employees in the retail outlet tell you exactly when the transactions will be performed	33	104	73	59	32	300	950
Employees in the retail outlet give you prompt service	34	112	67	46	41	300	952
Employees in the retail outlet are always willing to help you	28	109	74	53	36	300	940
Employees in the retail outlet are never too busy to respond to your request	30	116	78	43	33	300	967
Assurance							
The behaviour of the employees in the retail outlet instills confidence in you	76	94	57	49	24	300	1049
You feel safe in your transactions with the retail outlet	63	102	54	51	30	300	1017
Employees in the retail outlet are consistently courteous with you	62	97	48	56	37	300	991
Employees in the retail outlets have the knowledge to answer your questions	71	99	52	48	30	300	1033
Empathy							
The retail outlet gives you individual attention	23	36	107	83	51	300	797
The retail outlet has operating hours convenient to all its customers	30	40	97	86	47	300	820
Retail outlet has employees gives you personal service	25	43	110	79	43	300	828
The retail outlet has your best interest at heart	24	37	102	88	49	300	799
The employees of the retail outlet understand your specific needs	29	44	96	81	50	300	821

5. SUGGESTIONS AND CONCLUSION

From the analysis on SERVQUAL score of reliance outlets, it is recommended that, Reliance retail outlets must concentrate on the features which are visually appealing to the customers. Further, it is also advised that, the retail outlet's employees at reception desk must be fair and neat appearing in order to attract the customers and so that customers can freely exchange the required information with the reception desk employees.

The reliance retail outlets must concentrate on providing customer friendly information to the queries and problems of customers. With regard to responsive dimension, the retail company must train the employees to be more accountable for giving information about the services that can be performed to the customers. Further, the employees must be willing in order to help the customers. The retail outlets must provide trust to the customers with regard to safety, further, the retail outlets must provide best interest at heart to show more empathy to the customers.

Table 2: GAP score for reliance retail and spencer retail

Dimension	Statement number	Expectation score	Perception score	Gap score
Tangibility	1	1500	773	-727
	2	1500	760	-740
	3	1500	756	-744
	4	1500	774	-726
		Average tangibility gap score		-734.25
Reliability	5	1500	974	-526
	6	1500	946	-554
	7	1500	988	-512
	8	1500	978	-522
	9	1500	977	-523
		Average reliability gap score		-527.4
Responsiveness	10	1500	950	-550
	11	1500	952	-548
	12	1500	940	-560
	13	1500	967	-533
		Average responsiveness gap score		-547.75
Assurance	14	1500	1049	-451
	15	1500	1017	-483
	16	1500	991	-509
	17	1500	1033	-467
		Average assurance gap score		-477.5
Empathy	18	1500	797	-703
	19	1500	820	-680
	20	1500	828	-672
	21	1500	799	-701
	22	1500	821	-679
		Average empathy gap score		-687.00
		Average SERVQUAL score		-594.78

Table 3: Relative ranking of the quality dimensions

Dimensions	Overall gap score	Rank
Tangibility	-734.25	V
Reliability	-527.4	II
Responsiveness	-547.75	III
Assurance	-477.5	I
Empathy	-687.00	IV

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