



AN EMPIRICAL STUDY ON THE RETAIL SERVICE QUALITY WITH SPECIAL REFERENCE TO COIMBATORE CITY

SIMEON S. SIMON*; DR. CLEMENT SUDHAHAR**; DR. JANAKIRAMAN***

*Assistant Professor,
Karunya University.

**Associate Professor.
Karunya University.

***Assistant Professor,

Arignar Anna Arts & Science College.

ABSTRACT

This paper throws light on the service quality practices of organized retail stores that contribute to the customer satisfaction in Coimbatore City, Tamilnadu. India Retail Report of 2009 predicts that total retail sales will grow from US\$357billion in 2008 to more than US\$711billion by 2013. Strong underlying economic growth, population expansion, the increasing wealth of individuals and the rapid construction of organized retail infrastructure are key factors behind the forecast growth. As well as an ever-expanding middle- and upper-class consumer base, there will also be opportunities in India's tier II and tier III cities. The greater availability of personal credit and a growing vehicle population that provides improved mobility that also contribute to a trend towards annual retail sales growth of 15 percent in US dollar terms. India's nominal GDP was US\$1.17trillion in 2008. Average annual GDP growth of 6.5 percent is predicted by BMI to 2013. With the population forecast to increase from an estimated 1.19billion in 2008 to 1.27billion by 2013, GDP per capita is expected to expand by nearly 59 percent by the end of the forecast period, to reach a projected US\$1,563. Our assumption of consumer spending per capita is for a rise from US\$594 in 2008 to US\$1,105 in 2013.

This research was undertaken by the researcher to analyze the Service Quality of the Organized Retail Stores that contributes to the customer satisfaction in Coimbatore City, Tamil nadu. Retail Service quality can be measured with standard of the quality provided by a retail store in the key areas like Physical aspect, Reliability, Personal Interaction, Problem Solving and Policy aspects, and they were analyzed through feedback from the respondents of the active retail shoppers. The major objective of

the research was to find the influencing retail service quality factor on customer satisfaction and to identify the value of influence with respect to customer satisfaction. This research was successfully completed and the factors influencing the customer satisfaction of the respondents were analyzed. This shows that, the retail stores are in growth stage and they are striving hard to satisfy the customer needs and requirements. This only depends on how well the retailers look into the influencing factors and take action plans to fulfill them so as to satisfy the customers' needs and demands.

KEYWORDS: Retail Service quality, Organized Retailers, Customer satisfaction, Economic growth.

INTRODUCTION

THEORETICAL BACKGROUND

India is more attractive than ever to global retailers. India's economic growth, forecasted at 8 percent GDP in 2006, continues to support the retail industry. The estimated \$350 billion retail market is expected to grow 13 percent and the top five retailers account for less than 2 percent of the modern retail market. And with one billion people, it is the second largest population in the world (2001 Sensex). There are also fundamental changes underway in India. In early 2006, the government announced that it would allow foreign companies to own up to 51 percent of a single-brand retail company. Since the mid-1990s, India's grocery sector has started to evolve from a traditional to a modern retail market. Currently, Foreign Direct Investment (FDI) up to 51 percentage is allowed only in single-brand retail with government approval. However, in the wholesale cash-and-carry segment, up to 100 percent FDI is allowed. The Indian government wants to promote FDI at the back-end of retail activity such as logistics, cold chain and technology so that it also helps traditional retailers. However, FDI in retail continues to be a politically sensitive issue. Owing to the restrictions on FDI, the modern retail sector is currently biased towards domestic retailers. Wal-Mart had its tie-up with Indian business house Bharti Enterprises starting Bharti Wal-Mart. Carrefour and Tesco have also announced their intentions of entering the Indian market in the medium-term.

IGD estimates that India's total retail market was worth US\$ 328 billion in 2006 and its grocery and food retail markets were calculated at US\$ 236 billion and US\$ 228 billion respectively. This makes India the sixth largest grocery market in the world, growing to US\$ 482 billion in 2020, and coming in at fourth position after US, China, and Japan.

TABLE 1: TOP 10 GROCERY RETAIL MARKETS, US\$ BILLION, 2006, 2010F & 2020F

Rank	2006		2010F		2020F	
	Country	Grocery Market	Country	Grocery Market	Country	Grocery Market
1	US	812	US	858	US	1,076
2	Japan	540	Japan	577	China	767
3	China	377	China	484	Japan	602
4	France	286	India	302	India	482
5	Germany	264	France	295	France	309
6	India	236	UK	241	Russia	263
7	UK	221	Germany	239	UK	252
8	Italy	183	Italy	188	Germany	251
9	Russia	144	Russia	177	Italy	202
10	Mexico	143	Mexico	156	Brazil	197
Total		3,206		3,517		4,401

TABLE 2: TOP GROCERY RETAILERS IN INDIA

Retailer	Fascia/s	Market entry date	Format/s	No of stores
Pantaloen Retail	Food Bazaar, Pantaloons, Big Bazaar, KB's Fair price, Central Mall	2002	S, O, H, D	693
Reliance Retail*	Reliance Fresh, Reliance Mart	2006	C, H	688
RPG	Spencer's Hyper, Spencer's	1996	H, S	420
Aditya Birla Retail	More. For you, more.	1986	S, H	251

	MEGASTORE			
Dairy Farm	Food world, Health & Glow	1999	S, H&B	74
Trent	Star India Bazaar	2004	H	4
Spar International	Spar	2004	H	3
Shoprite	Shoprite	2004	S	1
<p>Key: S – Supermarkets, H&B – Health & Beauty, H – Hypermarket, D – Discount, C – Convenience, C & C – C</p> <p>Cash & Carry, O – Others</p>				

Source: IGD estimates, retailers 2008

TABLE3: INDIAN RETAIL MARKET AT PRESENT MARKET SCENARIO

SHARE OF ORGANIZED RETAIL TO TOTAL MARKET IN INDIA				
Retail Segments	% Organized			
	2004	2005	2006	2007
Clothing, Textiles & Fashion Accessories	13.6%	15.8%	18.9%	22.7%
Jewellery	2.0%	2.3%	2.8%	3.3%
Watches	39.6%	43.5%	45.6%	48.9%
Footwear	25.0%	30.3%	37.8%	48.4%
Health & Beauty Care Services	6.0%	7.6%	10.6%	14.3%
Pharmaceuticals	1.8%	2.2%	2.6%	3.2%
Consumer Durables, Home Appliances/equipment's	7.8%	8.8%	10.4%	12.3%
Mobile handsets. Accessories & Services	6.5%	7.0%	8.0%	9.9%

Furnishings, Utensils, Furniture-Home & Office	6.7%	7.6%	9.1%	11.0%
Food & Grocery	0.5%	0.6%	0.8%	1.1%
Out-of-Home Food (Catering) Services	5.7%	5.8%	6.9%	8.0%
Books, Music & Gifts	9.8%	11.7%	12.6%	13.4%
Entertainment	2.6%	3.3%	4.1%	5.3%
TOTAL GROWTH	3.0%	3.6%	4.6%	5.9%

Source: The India Retail Story India Retail Report 2009 © Images F&R Research

A.T. Kearney has helped retailers to prioritize their global development strategies by publishing the Global Retail Development Index (GRDI). The Index ranks 30 emerging countries based on more than 25 macroeconomic and retail-specific variables. In addition to the country ranking, we developed the Retail Labor Index to rank the labor pools of 15 emerging countries. Beyond the yearly findings, we also examined more than 10 years of data points. From this analysis, we gained new insights into the patterns and effects of retail in emerging markets, including: Emerging markets pass through windows of opportunity, which remain open for an average of 5 to 10 years. 1. Certain retail formats work better than others, depending on time of entry and region. 2. Modern retail expansion contributes to economic growth. This last point, in particular, should resonate with governments and policymakers in emerging markets: From India to Brazil, from China to Mexico, countries must create the right competitive environment to attract foreign companies and thereby reap the economic benefits that increased retail activity can provide.

STATEMENT OF THE PROBLEM

In this fast pace of life, people don't have time for shopping at all and encounter great difficulties to shop the product that they need. In fact the People requirement is that all the products should be available under one roof; indeed, this paved the way for organized retail store to attract the customers more than the stand alone retail shops. Even though there are many organized retail stores cropping up, still many retail stores failed to tang the success in attracting the customers towards them; hence, the researcher is concentrated in measuring SERVQUAL for retail industry towards customer satisfaction. What most researchers agree and have a consensus on is that, SERVQUAL being a crucial element in Customer Satisfaction even when the offering is involved a combination of a product and service. The current study aims at measuring the influences of SERVQUAL in Retailing with Customer Satisfaction taken as the effective outcome measure. Every marketing effort is directed to be customer focused and hence it is imperative that retailing strategy or SERVQUAL initiatives result in higher customer satisfaction levels for existing retailers and also to the forthcoming retailers.

NEED FOR THE STUDY

Retail industry is the largest among all the industries, accounting for over 10 percentage of India's GDP and around 8 percentage of the employment opportunity. Retail industry in India has come forth as one of the most dynamic and fast paced industries with several (local, national and International) players entering the market. But all the retailers who enter have not savored success because of the heavy initial investment, poor mall management, breaking with other companies and competing with them. Hence, understanding the factors influencing the customer satisfaction and developing those factors will help the retailers to capture the customer attention. The Indian retailing industry is becoming intensely competitive, as more and more payers are targeting for the same set of customers. The major retail players are Pantaloon Retail, Shoppers Stop, Reliance, Big Bazaar, Wal-Mart, Spenser, etc., Retail industry is happen to grow about 5times more than what retail today is, it shows that Retail Industry is gradually inching its way towards becoming the next boom industry.

RESEARCH OBJECTIVE

To identify and examine as to what extent the retail service quality factors (physical aspect, reliability, personal interaction, problem solving and policy) influence the customer satisfaction in organized retail stores.

RESEARCH DESIGN

Research methodologies used in this study are descriptive method. Convenient sampling has been adopted for this research. Data were collected personally by the researcher. All the information provided in the project is accurate and factual as researcher conducted the research. The instrument was proposed by Dabholkar, Thorpe and Rentz (1996) (physical, reliability, personal interaction, Problem solving and policy factors) was used as the factors in the questionnaire with 5-point Liker scale (1-strongly disagree, 5-strongly agree) is used. Questionnaire is on the 'Measuring Retail Service Quality: An Empirical Assessment of the Instrument' Darshan Parikh (April, 2006)

DATA COLLECTION WITH PRIMARY AND SECONDARY SOURCES

A structured questionnaire was constructed taking into account Retail SERVQUAL dimensions Dabholkar, Thorpe and Rentz (1996) such as Physical Aspects (Tangibles), Reliability, Personal Interaction (Responsiveness), Assurance (Problem Solving) and Policy. The method to be employed will be personal interviews conducted for the respondents. Information has been gathered from various journals like European Journal of Social Sciences, Journal of Marketing, Journal of Retailing, Vikalpa, and Journal of Marketing Research. Secondary information has also been gathered from Business magazines like Business India and Business Today. Population was defined as active retail shoppers. The sample consists of 238 retail shoppers in Coimbatore city. Convenience sampling method was adopted by the researcher. Personal interview has been conducted immediately after the completion of the shopping experience. Retail shoppers would be selected for analysis because they offer a mix of merchandise and service. Organized retail stores were selected from Coimbatore City. The period of research is limited from October 2010 to December 2010.

Regression method is used to find out the infusing factor on the retail service quality dimensions proposed by Dabholkar, Thorpe and Rentz (1996). Regression analysis helps us understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. Most commonly, regression analysis estimates the conditional expectation of the dependent variable given the independent variables — that is, the average value of the dependent variable when the independent variables are held fixed.

LIMITATIONS

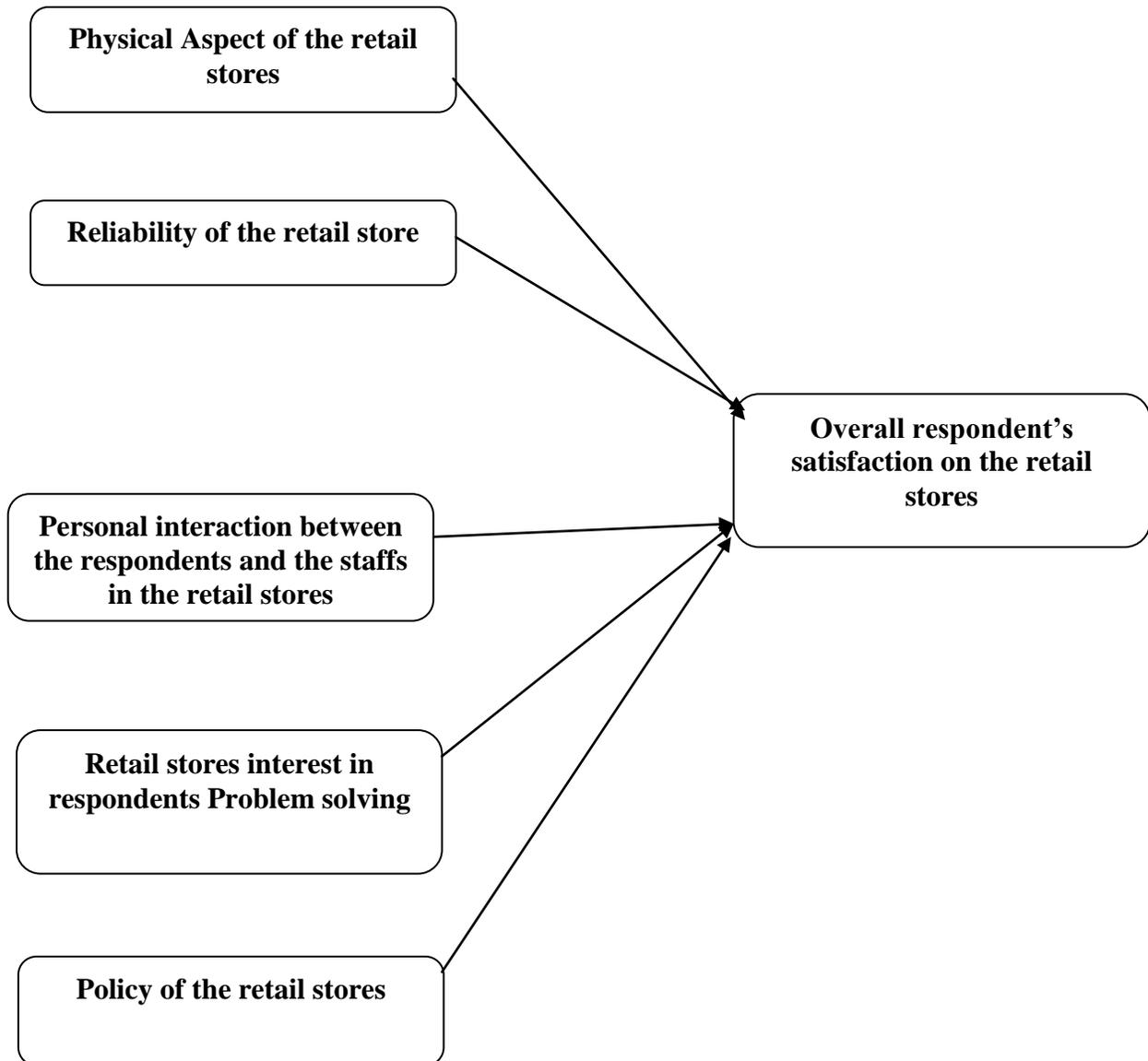
- Geographical: The study is limited to the Coimbatore city
- Temporal: The period of study is limited from October 2010 to December 2010
- Procedural: Method of data collection is through survey using interview method; hence the data may contain respondent's bias.
- Financial Constrain. The limitations that apply to the questionnaire survey method do apply to the study as well. Some of the respondents were not really co-operative, and the answer given may be biased...

STATISTICAL ANALYSES

PRIMARY OBJECTIVE: REGRESSION ANALYSIS

To identify the extent of the retail service quality dimensions (Physical Factors, Reliability factor, Personal interaction factor, Problem solving factor and Policy factor) that influence the customer satisfaction

Regression results predicting Customer satisfaction by Physical, Reliability and Policy factors. The researcher intended to establish relationship between customer satisfaction and other variables such as physical, reliability, personal interaction, problem solving and policy. Accordingly the researcher has developed the following framework.

CHART 15: REGRESSION MODEL

THE RESEARCHERS INTENDED TO DEVELOP THE FOLLOWING HYPOTHESIS

Ho: There is no significant relationship between the physical aspect and the overall customer satisfaction.

Ha: There is a significant relationship between the physical aspect and the overall customer satisfaction.

Ho: There is no significant relationship between the reliability aspect and the overall customer satisfaction.

Ha: There is a significant relationship between the reliability aspect and the overall customer satisfaction.

Ho: There is no significant relationship between the personal interaction aspect and the overall customer satisfaction.

Ha: There is a significant relationship between the personal interaction aspect and the overall customer satisfaction.

Ho: There is no significant relationship between the problem solving aspect and the overall customer satisfaction.

Ha: There is a significant relationship between the problem solving aspect and the overall customer satisfaction.

Ho: There is no significant relationship between policy and the overall customer satisfaction.

Ha: There is a significant relationship between policy and the overall customer satisfaction.

To study the above hypothesis, the researcher has used multiple regressions. Regression predicted customer satisfaction by physical aspect, reliability aspect, personal interaction aspect, problem solving aspect and policy aspect. Overall customer satisfaction is entered the regression model as dependent variable and physical, reliability, personal interaction, problem solving and policy variable is entered as independent variables. The method was ENTER method. The results are shown below.

TABLE -REGRESSION MODEL SUMMARY TABLE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.804	.646	.638	.225

TABLE - REGRESSION ANOVA TABLE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.413	5	4.283	84.703	.000
	Residual	11.730	232	.051		
	Total	33.142	237			

TABLE 60: REGRESSION COEFFICIENTS TABLE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.260	.173		1.497	.136
	PHYS	.170	.058	.178	2.925	.004
	RELIABIL	.387	.095	.361	4.092	.000
	MEA_PINT	4.345E-02	.042	.046	1.035	.302
	MEA_PROB	2.254E-02	.026	.037	.881	.379
	POLICY	.319	.097	.290	3.285	.001

FINDINGS

The Regression results show that p is .000 indicate the regression model was fit. From the model summary table the value of adjusted R Square is 0.646; hence there is a 64% variance by service quality factors on customer satisfaction. Adjusted R square shows the amount of variance

explained by the independent variables on the dependent variable. On examination of the coefficient table, it is found that physical aspect of the retail store ($\beta=0.178$; $p=0.004$); Reliability aspect of the retail store ($\beta=0.361$; $p=0.000$); personal interaction aspect of the retail stores ($\beta=0.046$; $p=0.302$); Problem solving aspect of the retail stores ($\beta=0.881$; $p=0.379$); and Policy aspect of the retail stores ($\beta=3.285$; $p=0.001$). This shows that Physical, Reliability and policy aspect positively influence the overall satisfaction of the retail stores. Hence, Physical aspect has significant relation with the overall satisfaction of the retail stores; reliability aspect has significant relation with the overall satisfaction of the retail stores and policy aspect also has significant relation with the overall satisfaction of the retail store.

Customer satisfaction = $.260 + .170(\text{Physical Aspect}) + .387(\text{Reliability}) + .04345(\text{Personal interaction}) + .02254(\text{Problem Solving}) + .319(\text{Policy})$

Regression Analysis Table shows that Physical, Reliability and policy aspect positively influence the overall satisfaction of the retail stores.

From the Regression Analysis Table; R Square is 0.646; hence there is a 64% variance by service quality factors on customer satisfaction.

IMPLICATIONS AND CONCLUSION

Needs are different from gender to gender; most of the customers to the retail stores are females--house wives who are the second decision makers of the family. Since they have more time for shopping unlike the working class people, products related to their need could be displayed, so that they can make the purchase decision at the time of purchase, due to the fact that, most of the purchase decisions are taking place as impulse decisions, as derived from the study. Loyalty programs such as membership, club and purchase points programs may be introduced to make the customer to be loyal and make word of mouth promotion. Despite the fact that products mostly displayed are for the adult group, the adolescence make huge purchase and act as an opinion leaders to their family as well as to their friends. Loyalty programs such as membership, club and purchase points programs may be introduced to make the customer to be loyal and promote the retail store business to their friends and neighbors; hence bring programs to attract them, make the retail stores to make good profit, in short as well as in long run. Erudite people are looking for more hi-tech retail products where the physical aspect and personal interaction by the retail staffs are impressive, hence loyalty programs, and demonstration may make them feel comfortable for their shopping experience. The working class people are looking for quick purchase because of their busy schedule. So tele-shopping, online shopping can be introduced to make their shopping experience easier. One of the most common problems the people facing were, waiting time in queue, this can be resolved by automatic billing or by introducing alternative billing section during peak hours. The organized retail stores are mostly attracted by the customers because of the reduced price, convenience, parking facility etc... but no customer is loyal to the retail stores, hence more loyalty programs and efficient Customer Relationship Management (CRM) may make the customers loyal towards the retail stores. The retail stores have to improve in terms of Physical aspect such as cleanliness, display of product, availability of product, movement inside the stores, bags, catalogues and so on and should maintain their reliability of the stores using loyalty programs etc. so as to attract most of the new

customers towards the retail stores as they are the influencing factor in retail customer satisfaction.

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