Retail Store and Service Quality: A Study on Hypermarkets In Ahmedabad City

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Abstract

Each organized retail outlet in India handles a lot of transactions every day and each of these transactions is a potential source of inefficiency and incompetence-related defect. Efforts are essential to reduce such occurrences and to continually improve the organizational Performance by management of retail service quality. On the other side Indian consumers are becoming more careful for their shopping experience and demanding as far as lifestyle is concerned. An increased and increasing purchasing power would lead to higher demand for better shopping ambience, superior quality, products, and improved store service. Researchers in the area of service quality suggested that an organization belonging to either manufacturing or service sector need to focus on "service quality" as it delivers multiple benefits, such as it is a critical determinant of competitiveness, long-term profitability, repurchases intentions, consumer satisfaction, helps positioning in a competitive environment. As per the Technopak customer data analysis for the year 2011-2012 the success of many retailers across the world and the failure of others can be attributed to one of the major areas where Indian organized retail stores need to focus is customer centric retail store services. In service organizations, customer-perceived service quality is considered as one of the key determinants of business performance and retail businesses are considered to be service business.

This study of retail service quality is performed with consumers shopping at hypermarkets in Ahmedabad city in the state of Gujarat. The main purpose of the study is to explore various factors that influence customer perception of hypermarkets service quality. Retail service quality scale (RSQS) developed by Dabholkar in1996 employed in this study as it was specially designed to measure retail store service quality in the key areas like Physical aspect, Reliability, Personal Interaction, Problem Solving and Policy aspects.

Keywords: Organized Retail, Retail Service Quality, Hypermarkets.

Introduction

The retail industry has been present in India through history. Today, it consists of organized/Modern and unorganized/Traditional retail stores. Post-liberalization, deregulation of many businesses, changing consumer behavior and preferences has sown the seeds of a retail transformation in India Venkataramana V., Gupta N and Sultana N. (2007). According to D. Subramanian (2010), retailing in India is not all about mere merchandising, but gradually shifting towards offering a memorable store experience to consumers that they would like to repeat. The retail sector is one of the booming sectors in the Indian economy, where some of the world's biggest players likely to enter into organized retail business. It is on the threshold of

bringing the next big revolution after the Information Technology sector. Today Indian retail sector contributes approximately 10 per cent which is expected to grow by the year 2015. The retail market is witnessing a migration from traditional retailing to modern/organized retailing formats, such as Convenience store, Discount store, Supermarket, Hypermarket, Specialty store, Category killer etc. Modern retailing outlets in India need to continually focus on upgrading and managing business standards as witnessing emerging cutthroat competition across the retail formats specially in hypermarkets Sukanya Hegde (2010). According to Swapna Pradhan (2010) the word hypermarket is derived from the "hypermarche", which is a combination of supermarket and department store. This retail business format has evolved since its invention by Carrefour in 1963 in Paris. A retail store with an area of 2,500 square meters, with at least 35% of retail space devoted to non-grocery products is termed as Hypermarket.

The retail industry in India is playing a very important role in improving the quality of life of consumers by providing a variety of consumer products and services. Therefore, retail service quality plays a very significant role in improving quality of life of consumers in India, both, in terms of Product quality as well as service quality (Mehta, 2006). Customer in India has greater expectations related to his or her consumption experience (D. Subramanian, 2010). They have become more aware and are seeking more information, better quality of product and service, wider variety, hygiene, good ambience as well as enhanced customer service Venkataramana V., Gupta N and Sultana N. (2007). Retailers, by definition, sell their goods or commodities directly to the public where retail service quality is driven by public perception, with customers in the forefront. Most leading retail outlets, researchers and managers do accept the premise that the ultimate consumer of the output, the buyer, is indeed the best judge to evaluate and declare (Rau, 2006). As per the customer data analysis for the year 2011-2012 by Technopak, the success of many retailers across the world and the failure of others can be attributed to one of the major areas where Indian organized retail stores need to focus is customer centric retail store services.

In such a situation, a firm can differentiate itself if it can be unique at something that is valuable to buyers' as it is one of the competitive advantages a firm may possess (Porter M, 1985). In the Recent competitive retail environment, delivery of high service quality has long been treated as the basic retailing strategy and retail businesses are service businesses (Berry, 1986), all companies are forced to be more customer-oriented (Kotler And Keller, 2009), where superior service quality has become a major differentiator in producing customer satisfaction, and successful service quality management is recognized as the most powerful competitive weapon that many leading service organizations possess (Parasuraman, Zeithmal and Berry, 1988). According to Kim and Jin (2001), as countries become developed, the customers give greater priority to intangible attributes of service quality than the tangible ones. Each organized retail outlet in India handles

lakhs of transactions every day and each of these transactions is a potential source of inefficiency and incompetence-related defect efforts are essential to reduce such occurrences and to continually improve the organizational Performance by management of retail quality services (Gandhi, 2006).

Literature Review

Understanding Service Quality

Service quality provided to customers has become the focus of many organizations in a recent competitive environment and over a decade, many academicians and practitioners (Gronroos, 1982; Lehtinen, 1983; Lewis and Booms, 1983; Parasuraman, Zeithmal and Berry, 1985, 1988) alike have been trying to conceptualise, assess and improve service quality research. According to Fisk, Brown and Biter, (1993) Service quality is the single most researched area in the service marketing field. Gronroos (1984) defined service quality as a perceived judgment whereby customers compare their prior expectations of a service with their perceptions of the service that they actually received. According to Parasuraman, Zeithmal and Berry (1985, 1988) service quality is defined as the extent to which a service meets customers' needs or expectations and it involves a comparison of customer expectations with customer perceptions of actual service performance. Researchers in the area of service quality suggested that an organization belonging to either manufacturing or service sector need to focus on "service quality" as it delivers multiple benefits, such as it is a critical determinant of competitiveness (Lewis, B.R, 1989), High quality of service is considered an essential determinant of the long-term profitability (Margolis, J.M, 1988), positively influence repurchase intentions of both existing and potential customers. (Horvitz, J., 1990), increase value for the consumer and ensure consumer satisfaction (Sivadas and Baker-Prewitt, 2000), helps positioning in a competitive environment (Mehta et al., 2000), consumers retention and patronage (Yavas, et al., 1997), existing research indicates that consumers satisfied with service quality are most likely to remain loyal (Wong and Sohal, 2003).

SERVQUAL and Retail Service Quality

Parasuraman, Zeithaml and Berry (1985, 1988) have published extensively on the subject of "service quality" and developed a gap-based multiple item instrument for measuring and monitoring service quality where ten service quality dimensions later on in their 1988 work components were collapsed into five dimensions: reliability, assurance, tangibles, empathy, responsiveness, refer to Table-1. PZB condensed the scales from 97 items to 54 items, and later reduced to 34 items, finally resulted in 22items (22 items for expectation of service quality and 22 items for performance of service quality) 5 dimensions, formed a widely used SERVQUAL scale as mentioned below;

Table-1: Dimensions of Service Quality

SERVQUA	OUA Dimensions Definition				
L Scale					
	Tangibility	The appearance of physical facilities, equipment, personnel and communication materials.	4		
	Reliability	The ability to perform the promised service dependably and accurately.	4		
	Responsiveness	The willingness to help customers and to provide prompt service.	4		
	Empathy	The provision of a caring, individualized attention to customers.	5		
	Assurance	The knowledge and courtesy of employees and their ability to convey trust and confidence.	5		
Number of items	44				
Measures	Expectations (E) and Perceptions (P)				
Scale	Parasuraman, Leonard L Berry, Valarie A. Zeithaml				
Developed					
by					
Year	1885, 1988				
Application	Across industries / Countries.				

(Source: Parasuraman, Leonard L Berry, Valarie A. Zeithaml, 1985, 1988)

Leonard L. Berry, A. Parasuraman, and Valarie A. Zeithmal (1988) Customers' expectations for a particular service shape their assessment of the quality of that service. When there is a difference between customers' expectations' and management understanding of customer expectations, perceived service quality suffer. 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 contexts (Carman, 1990; Finn and Lamb, 1991) such as a dental school patient clinic, a business school placement center and a tire shop. Carman (1990) explained that the use of the SERVQUAL instrument is questionable when applied to retailing area, as retailing has a greater number of visible indicators of quality (i.e. Courtesy, politeness) that the SERVQUAL items did not incorporate in his study for tire store in the U.S.A. In addition to this Finn and Lamb (1991) conducted a study on service quality for discount stores and department stores in U.S.A concluded that Confirmatory factor analysis did not provide a good fit for the proposed five-factor structure of SERVQUAL for either of department stores and discount stores.

In the case of apparel specialty store (Gagliano and Hathcote, 1994) where out of five it identified four factors, two of which had no correspondence to SERVQUAL. Naik C.N, Gantasala S, Gantasala V.P (2010) conducted a study for retail outlets in the South Indian City of Hyderabad where a more representative sample was used for respondents visiting Pantaloon retail stores in a second-order confirmatory factor analysis. The researchers find that the dominant dimensions of service quality are four namely

Tangibles, Recovery, Responsiveness, and Knowledge instead of five as mentioned in the SERVQUAL scale and concluded that further restructuring was suggested in SERVQUAL as a measure of service quality for Indian retail stores. SERVQUAL is widely adapted as a measure of service quality for different industries over a period of time, it fails to provide an accurate and effective measure of service quality in retail settings such as discount stores, and apparel specialty stores that offer a mix of goods and services and particularly in the case of Indian retail industry too.

Retail Service Quality Scale

A need to look at quality from the perspective of the services as well as goods and derive a set of items that accurately measure service quality of retailers with varying degrees of service component. There is a wide variety of empirical factor structures that can be obtained. It is also reviewed that SERVQUAL has limited application as a measure of service quality for retail settings Dabholkar, Thorpe and Rentz (1996). They tried to come up with a solution to the above problem and conducted 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 had a hierarchical factor structure comprising five basic dimensions (Table-2), with three of the five basic dimensions having two sub-dimensions each and overall service quality as a second Order-factor.

Table-2: Retail Service Quality Scale Dimensions

Dimension	Sub-dimension	Definition	Number of Items	
Physical aspects	Appearance andConvenience	Store appearance and convenience of store layout.	6	
Reliability	PromisesDoing it right	Retailers keeps its promises and "does things right".	5	
Personal interaction	Inspiring confidenceCourtcous and Helpful	The associates are courteous, helpful and they inspire confidence and trust from the customer	9	
Problem solving		The associates are trained to handle potential problems, such as customer complaints, return and exchanges.	3	
Policy		The Operating hours, payment options, store charge cards, parking etc.	5	

(Source: Dabholkar, PA; Thorpe, DI and Rentz, JO; 1996)

Siu and Cheung (2001) Hong Kong explained through their study at Multinational department store chain where six factors emerged as opposed to the five-factor structure suggested in retail service quality scale developed by Dabholkar (1996). Kim and Jin (2002) similarly, tried to determine whether RSQS could be validated in the context of discount stores in US and Korean customers where only three dimensions of retail service quality - Physical aspects, Reliability and Personal attention, found to provide a good fit to the data for both the US and Korean samples. A Study on service quality with the application of Retail service quality scale (RSQS) for retail stores in India was conducted by Darshan Parikh was published in Vikalpa in June 2006, found that five dimensions of service quality need considerable restructuring and may not be directly applicable to the retail sector in India without further restructuring. He suggested further research is necessary to understand retail store service quality in Indian context. According to Kaul (2007) study at India Large format apparel stores in Bangalore, the RSQS factor structure is not applicable in the Indian retail setting as results demonstrated poor fit and further restructuring was suggested before directly applying the retail service quality scale developed by Dabholkar (1996). Udaya Bhaskar and Raja Shekhar.B (2011) did modification in the original Retail service quality scale. They selected three cities having potential for high Retail Growth in the state of Andhra Pradesh in India and supported Kaul (2007) views. It is clear from the above literature review regarding Retail service quality scale application in india that the RSQS (Dabholkar, 1996) has not been applied to Hypermarkets in india as it is one of the fast emerging organised retail formats in india (Karamchandani, 2011).

Objectives of the Study

As Service quality is a theoretical construct and researchers have

defined its dimensions based on the setting used to explore the construct. The main purpose of this paper is to explore various factors that influence customers' perception of retail store service quality of Hypermarkets in Ahmedabad city. Further, it reviews related literature on service quality scales and application in international and national level.

Methodology

All the consumers who are active retail shoppers in Ahmedabad city at organised retail stores specifically for Hypermarkets are considered as population. The sample size in this study consists of 240 active retail shoppers. All the retail shoppers were personally contacted for personal interview immediately after completion of shopping experience using non probability convenience sampling method. The instrument consists of 28 items as proposed by Dabholkar, Thorpe and Rentz (1996) was used as the questionnaire which employed a 5-point Likert scale ranging from (1-strongly disagree, 5-strongly agree).

Data Analysis and Results

According to Bajpai N (2013) this test helps in identifying the appropriateness the sample size for conducting factor analysis. A high value of the statistics from 0.5 to 1 indicates the appropriateness of the factor analysis of the data in hand. Whereas low value of statistics below 0.5 indicates the inappropriateness of the factor analysis. The results in the below mentioned table show that the data are appropriate for conducting factor analysis where Sampling Adequacy is 0.8 which is closer to 1. This also means that the sample size is representative for further analysis. The total variance explained was 60.258.

Table 3: Kaiser-Meyer- Olkin Measure of Sampling Adequacy

KMO and Bartlett's T	est	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.8
Bartlett's Test of Sphericity	Approx. Chi-Square	2024
	df	378
	Sig.	0

(Source: primary data analysis through spss)

Physical aspects of retailer include equipment and fixtures, physical facilities, materials associated with this hypermarkets service, convenience of physical facilities and layouts. The higher customers appreciate on the physical aspects, the higher the overall evaluation of retail service quality is. The Cronbach's Alpha shown in the following table is 0.644 indicate that physical aspects dimension of the retail service quality scale (1996) is reliable.

Reliability of retailers includes keeping promises to do something, providing the right service, available merchandise and error-free sales transactions and records. The construct reliability here is similar to the SERVQUAL reliability dimension. The Cronbach's Alpha shown in the table is 0.665 indicate that reliability dimension of the retail service quality scale (1996) is reliable.

Table 4: RSQS Scale Dimensions and Reliability Statistics

RSQS Scale Dimensions	Cronbach's Alpha	Number of items		
Physical Aspects	0.644	6		
Reliability	0.665	5		
Personal Interaction	0.689	9		
Problem Solving	0.736	3		
Policy	0.705	5		
Overall Reliability	0.848	28		

(Source: primary data analysis through spss)

The personal interaction dimension of retailers includes employees having knowledge to answer questions, inspiring confidence, providing prompt service, willing to respond to customer's requests, giving customers individual attention, showing consistent courteously with customers and even treat customers properly on the phone. The Cronbach's Alpha shown in the table is 0.689 indicate that personal interaction dimension of the retail service quality scale (1996) is reliable. Problem solving addresses handling of returns, exchanges and complaints where the Cronbach's Alpha shown in the table is 0.736 is reliable. Policy dimension captures aspects of service quality that are directly influenced by retailers' policy. It includes high quality merchandise, convenience of parking and operating hours as well as accepting major credit cards, Cronbach's Alpha shown in the table 0.705 reliable. To test the reliability of the overall instrument, Cronbach's coefficient α was computed using data collected. The reliability coefficients shown in the table indicates that the retail

service quality scale proposed by Dabholkar, Thorpe and Rentz (1996) are a reliable instrument, returning an overall Cronbach's alpha of 0.848.

Factor analysis

The following table shows the exploratory factor analysis of customer perceptions. The results indicate that the customer perception scores do not support the five dimensions of service quality as proposed by Dabholkar, Thorpe and Rentz (1996). Overall, the analysis gave eight dimensions instead of the proposed five-factor structure. Even within these dimensions, the statements were not found loaded according to the proposed factor structure. There are only dimensions items found loaded. They are physical aspects where only two items loaded (1-6 items) another dimension is personal interaction where only three items loaded (11-20 items).

Table 5: Results of Factor Analysis of Perception Scores (Rotated Component Matrix)

Statement	Component							
	1	2	3	4	5	6	7	8
Q-1								0.656
Q-2	0.542							
Q-3	0.706							
Q-4					0.543			
Q-5					0.741			
Q-6					0.672			
Q-7				0.744				
Q-8				0.675				
Q-9				0.746				
Q-10								
Q-11						0.648		
Q-12			0.711					
Q-13	0.549							
Q-14								
Q-15			0.588					
Q-16			0.578					
Q-17							0.641	
Q-18		0.543						
Q-19								
Q-20							0.582	
Q-21		0.73						
Q-22		0.753						
Q-23		0.803						
Q-24								
Q-25	0.829							
Q-26								
Q-27	0.731							
Q-28 Extraction Method	0.69							

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 13 iterations.

Conclusion

It is identified that although the instrument does not follow the factor structure given by Dabholkar, Thorpe and Rentz (1996), the overall reliability of the instrument is somewhat acceptable. This study shows that the data collected and its analysis do not support their five-factor structure to capture consumer perceptions of service quality of hypermarkets in Ahmedabad city. From the managerial perspective the five dimensions are still useful as a foundation for discussion and determination of areas for improvement in the service quality of retail stores (i.e. Hypermarkets) where a firm can differentiate itself if it can be unique at something that is valuable to buyers' as it is one of the competitive advantages a firm may possess (Porter M., 1985) because delivery of high service quality has long been treated as the basic retailing strategy and retail businesses are service businesses (Berry, 1986). Kim and Jin (2001), as countries become developed, the customers give greater priority to intangible attributes of service quality than the tangible ones Therefore, once the factors are appropriately modified, and the instrument can be utilized under the Indian conditions as well.

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