

# MAPPING RETAIL SERVICE QUALITY AND CUSTOMER SATISFACTION IN EMERGING MARKETS

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## ABSTRACT

The study focuses on examining the impact of quality of services on the satisfaction of customers with samples drawn from NCR. Data related to service quality parameters were collected from 325 respondents using Retail Service Quality Scale (RSQS). Customer satisfaction was measured using four items taken from the scale developed by Bitner and Hubbert (1994). Exploratory factor analysis (EFA) was used to achieve the first objective and Stepwise regression was applied for second objective. During rotation method, 26 items were reduced to five factors and were named after original factors given in the RSQS. EFA revealed that RSQS is partially applicable in Indian retail context and regression results shown that three factors of service quality; PA (Physical Appearance), PI (Personal Interaction) and PS (Problem Solving) have significant contribution to service quality while assessing the customer satisfaction.

**Keywords:** Customer Satisfaction; Retail Store; Service Quality; Emerging Market; RSQS

## INTRODUCTION

Customer satisfaction is closely related to service quality but both are distinct concepts (Parsumaran et al., 1994; Dabholkar, 1995; Spereng and Mackoy, 1996; Wicks & Roethlein, 2009). Taylor and Baker (1994) revealed that this relationship is not simple and straightforward. High graded service quality fetches high satisfaction and gives competitive advantage and to enrich this proposition, store image is also considered as premier attribute (Zimmer, 1988; Parsuraman, 1994). The literature also suggest that service quality along with store's image affect the purchase intention of customers (Paul, Gary and Chief, 2011). Service may include; service personnel, ease of return, credit and delivery services. Customers generally make their perception about quality of services based on their overall experiences (Zeithaml, 2000), therefore, endeavour of marketers should be to improve service quality standards. However, to bring this improvement, service quality needs measurement. But quality has been considered an elusive and distinct construct (Parsuraman, Zeithaml and Berry,

1985) and difficult to define and measure. The service quality impact is widely recognized as a determinant of growth. This is not only expected out of pure service organisations but in product organisations too because both have different standards of service quality (Gagliano and Hathcote, 1994). Shifting of focus from quantity to quality has also been observed in retail sector of emerging markets. Due to this shift, many researchers have shifted their focus towards understanding the consumer behaviour and emotions (Joshi and Garg, 2020). Customer satisfaction alludes users toward an organization that brings into continued repurchase practices (Yas, et al., 2020).

The objective of this research is to test and validate the RSQS in emerging retail market like India and also to investigate the influence of service quality parameters of retail stores on the satisfaction of customers. Retail shopping in India has been positioned to respond directly to consumer demands, bringing not only a mass variety of consumer goods but offering other services too. RSQS has been significantly tested in many settings of different emerging countries such as South Africa (Boshoff and Terblanche, 1997), Singapore (Mehta and Lalwani, 2000), Hong Kong (Siu and Chow, 2004) and Kazakhstan (Das, Kumar and Saha, 2010). Parikh (2006) found the RSQS significant for the Indian retail stores but with some modifications. Contrary to this Kaul (2007), using confirmatory factor analysis, concluded that RSQS is not suitable for Indian retail stores. Thenmozhi and Dhanpal (2010) tried to validate RSQS in Indian context and discovered three new dimensions; value

added service, quality of merchandise and the accessibility. Literature has evidence that culture also play crucial role in deciding the perception of customers about quality of service (Ueltschy & Krampf, 2001) and India being a multi-cultured nation, testing the applicability of RSQS makes sense.

## RESEARCH METHODOLOGY

Based on the empirical work, Parasuraman et al. (1985) identified 22 statements for five dimensions i.e. Reliability, Assurance, Tangibility, Empathy and Responsiveness and developed a scale known as SERVQUAL. Mainly this scale has been exhaustively used in service settings like; banking (Cronin and Taylor, 1992), medical services (Carman, 1990), and clothing sector (Gagliano and Hathcote, 1994). But many authors didn't find it applicable for retail stores (Dabholkar, Thorpe and Rentz, 1996; Buttle, 1996). Therefore, Dabholkar et al. (1996) developed a new scale to measure retail service quality. This new scale composed of five dimensions; Physical Aspects (tangible dimensions), Reliability (related to promises), Personal Interaction (combination of tangibility and intangibility), Problem Solving (handling the problems of customers effectively) and Policy (quality of merchandise, working hours, etc.) having 28 statements. The new scale was a combination of various dimensions taken together, 17 from the original SERVQUAL scale and rest 11 added by the researchers as extracted from intense qualitative research. This scale was found suitable to measure the customer satisfaction in retail settings and has

been used here to measure the quality (service) and its effect on the customer satisfaction in emerging retail market (India).

The customers who shop in NCR made up the population of this study. A representative sample was drawn utilising the multistage sampling technique due to the large population. First, the samples were stratified among 9 districts of Delhi and 4 prominent districts of NCR include Faridabad, Ghaziabad, Gurgaon and Noida. Secondly, the convenience sampling technique was used to draw the samples at selected retail stores in Delhi. From each district 5 retail stores with 10 customers were

selected (13 Districts \* 5 Stores \* 5 consumers) and that led to a sample size of 325. Hence, a total of 325 willing respondents were taken into contemplating. The standard Retail Service Quality Scale (RSQS) with 26 statements (two statements were dropped that were not found suitable for Indian context) on 5-point Likert scale (5- strongly agree, 1-strongly disagree) was used for data collection. Customer satisfaction was measured using four items taken from the scale developed by Bitner and Hubbert (1994). Sample's characteristics in terms of demographics are presented in Table 1.

**Table 1: Demographics**

Sample Description		
Variables	Scale	Frequency
Gender	Male	126
	Female	199
Age	Upto - 20 Years	65
	21 - 30 Years	47
	31 - 40 Years	122
	41 - 50 Years	78
	51 Years and above	13
Education	Undergraduate	74
	Graduate	185
	Postgraduate	66
Occupation	Student	92
	Unemployed	23
	Employed	178
	Retired	32

Adequate representation was sought from the respondents having different demographic characteristics. Out of total sample (325) from NCR, 126 were male and 199 were female. Maximum number of respondents (122) were between the age of 31 and 40. This indicates that most of the respondents were youth. Also, survey reflects that most of the respondents visiting

retail outlets were graduates (185). More than half of the respondents (178) were employed. This indicates that the respondents are mostly from the earning group.

## DATA ANALYSIS AND INTERPRETATION

The reliability of the construct is determined by computing the alpha coefficient of internal consistency (Cronbach, 1951). The Cronbach's alphas, which measure the internal consistency of each of the identified factors, fell within an acceptable range. The reliability estimates based on the actual data collected is shown Table-2.

**Table 2: Reliability Test**

Construct	No. of Items	Reliability (Cronbach's Alpha)
Physical Aspects (PA)	6	0.798
Reliability (RE)	5	0.823
Personal Interaction (PI)	8	0.902
Problem Solving (PS)	3	0.847
Policy (PO)	4	0.873

Analysis of the data measured Cronbach's Alpha ( $\alpha$ ) values varied between 0.902 for the Personal Interaction (PI) constructs and 0.798 for Physical Aspects (PA), thus confirming acceptable internal consistency reliability and evidence of content and constructs validity.

To examine the influence of service quality dimensions on customer satisfaction, stepwise regression was used with Customer Satisfaction (CS) as the dependent variable and PA, PI, PS, RE and PO as the predictor variables. In Table-3, Adjusted R Square (0.652) indicate the model goodness of fit. The R Square value is 0.766 which depicts that here is 76.6% variance by service quality factor on customer satisfaction.

**Table: 3: Regression Analysis Model Summary**

Model-3	ANOVA Sig.	R Square/ Adjusted R square	Unstandardized Coefficients	
			Independent Variables	Coefficient value 'B'
Dependent variable – CS Independent variables: PA, PI and PS	0.000	0.766 / 0.652	Constant	0.128
			PA	0.723
			PI	0.165
			PS	0.094

Significant relationship was found between PA, PI and PS (independent variables) and the Customer Satisfaction (dependent variable). Regression coefficients for the selected model-3 predicts whether the independent variables contribute to the dependent variable by looking at the significance level. Hence, the regression equation can be predicted as:

$$Y (CS) = 0.128 + 0.723 (PA) + 0.165 (PI) + 0.094 (PS)$$

The above equation signifies that (Indian retail conditions) only three independent factors are contributing to service quality in measuring customer satisfaction. The results indicate that physical appearance (B=0.723, p=0.000) has most influence on the customer satisfaction followed by personal interaction (B=0.165, p=0.000) and problem solving (B=0.094, p=0.020). Other dimensions of service quality; reliability and policy were found insignificant in measuring the customer satisfaction. Therefore, it can be said that all the dimensions of service quality included in RSQS are not contributing to customer satisfaction in Indian retail stores.

## DISCUSSION AND CONCLUSION

Based on the study, it can be concluded that the applicability of RSQS is significant in Indian retail context but all the factors of service quality are not contributing towards satisfaction. Findings shows that out of five service quality dimensions, only three dimensions (PA, PI and PS) are contributing to customer satisfaction (other two factors; Reliability and Policy were found insignificant). Retailers who are operating in Indian market are suggested to focus more on the physical aspects but should not ignore other dimensions to improve the service quality with an expectation of increasing the customer satisfaction. Outcome of this study gives a strategic point to emerging market like; India to concentrate more on the ambience of the retail stores in comparison to other factors to bring more satisfaction. It is harmonious with the findings given by Dabholkar et al. (1996) that physical appearance is very important aspect of service quality. So, marketers need to study and understand the perception of the customers beyond ascertained service quality dimensions and the level of satisfaction. This

may give them to abreast their service encounters that may ultimately bring better satisfaction. Service quality dimensions should be taken as intermediating factors to enhance the sales and satisfaction.

Unique measures be promoted to create good impression of the store and it becomes more important for the stores providing household items which is expected to be of good quality along with better in-store services. Other two service quality dimensions (Reliability and Policy) which were found insignificant in this study should not be ignored rather more consistent efforts to be made to make them contribute in improving the service quality. Providing satisfaction to the customers has to be paramount responsibility for any retailer to become more indispensable (Vandermerwe, 2004). The employees of the store should be given more decisive power to handle the problems of the customers with their own wisdom. This strategy would strengthen the morale of the employees and they shall be able to keep the customer satisfied. Further research could be conducted to make the results of this study more robust and authenticated.

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