

CUSTOMER SATISFACTION IN RETAILING SECTOR: A GAP ANALYSIS

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ABSTRACT

The financial reforms initiated in the year 1991 posed a lot of challenges before the Indian Retail sector. One of the major challenges that is faced by the Indian retail sector deals with customer satisfaction and loyalty. Today the customers have become more aware and rational in their approach than ever before. Formulation of marketing strategies in order to attract more and more customers is now becoming a key survival for every participant in the retail sector. Therefore, the current study is an attempt to find out gap between expected and perceived satisfaction level of customers in retail sector. For the purpose of the current study, data was collected through primary sources by framing a structured questionnaire based upon Retail Service Quality Scale by Dabholkar et al., 1996. In order to analyze the collected data, Gap Analysis and t-test have been employed. The results of the study bring out the major differences in customers' expectations and perceptions in retail sector thus showing dissatisfaction among these customers.

Key words: Satisfaction, Service Quality, Retailing, Perceptions, Expectations, Gap

INTRODUCTION

The Retail sector in India has come forth as one of the most dynamic and fast paced sectors (Naik, 2010). It accounts for over 10 per cent of the country's GDP and around 8 per cent of the employment opportunities arise from the retail sector in India every year (Madan and Kumari, 2012). The Indian retail market, the fifth largest retail destination globally and has been ranked as the most attractive emerging market for investment in the retail sector by Kearney's latest annual Global Retail Development Index (GRDI). According to a study conducted by the Indian Council for Research on International Economic Relations (ICRIER), the retail sector is expected to contribute to 25 per cent of India's GDP by 2013. At present, the retail sector in India is estimated to be a US\$ 400 billion industry.

increase in disposable income, the industry is projected to grow upto US\$ 704 billion by the end 2013 with an expected annual growth rate of 30 percent, according to a report by global consultancy

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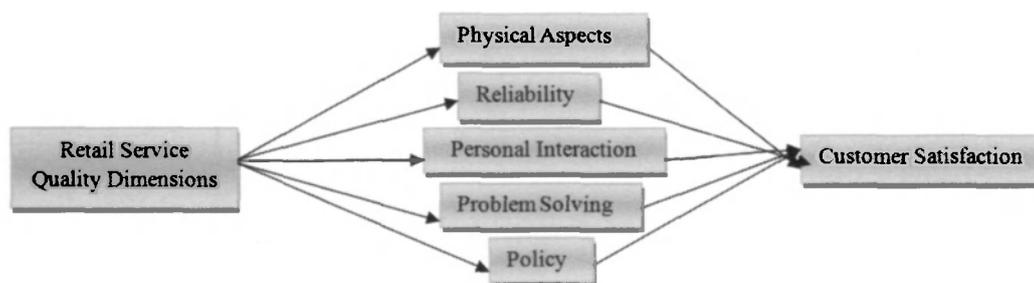
Northbridge Capital. Further, the retail sector is expected to rise to US\$ 835 billion by 2014 and to US\$ 1.3 trillion by 2018, at a compound annual growth rate (CAGR) of 10 per cent (Shafi, 2013).

India is the country having the most unorganized retail market. With the growth in purchasing power of Indian urban consumer, retail goods such as Apparels, Cosmetics, Shoes, Watches, Beverages, Food and Jewellery are slowly becoming lifestyle products. Moreover, a number of large corporate houses i.e. Tata, Ambani, Raheja, Piramalsi, Goenka have already made their venture into this arena, with beauty and health stores, supermarkets, self-service music stores, new age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and home/building construction stores (Kumar and Barani, 2012).

The success of retailing in India mainly depends on delivery of services through quality improvements. In any organizations, customer-perceived service quality is considered as one of the key determinants of business performance. In today's ultra competitive environment, customer is the core index of all marketing activities and satisfaction of the customer is the prime focus of every retailer. For the success and survival of the retail sector, provision of high quality customer service is necessary in order to meet the requirements of customers and its consequent loyalty will automatically attract new customers and increase market share and profitability (Kumari and Rani, 2011). So far, in the Indian context, there is a dearth of tested instruments which can measure customer-perceived service quality of a retail store (Parikh, 2006). At the same time, instruments developed in other countries have not been tested for their applicability in the Indian retail sector.

Service quality is linked to the concepts of perceptions and expectations (Parasuraman et al., 1985, 1988). Customer's perceptions of service quality result from a comparison of their before-service expectations with their actual-service experience. The service will be considered excellent, if perceptions exceed expectations; it will be regarded as good or adequate, if it only equals the expectations; the service will be classed as bad, poor or deficient, if it does not meet them. Hence, it is necessary to identify and prioritize the customers' expectations for service quality and incorporate these expectations into a service process for improving quality. The key variables in meeting customer expectations begin with identifying the specific characteristics of service quality as perceived by the customer who defines the nature and importance of service quality. However, Gap theory and Retail Service Quality scale by Dabholkar et al., 1996 have been widely accepted and applied in the domain of service quality measurement even in retail sector. The Figure 1 presents the retail service quality scale given by Dabholkar et al., 1996.

Fig1: Retail Service Quality Scale



Source: Dabholkar et al., 1996

1.2 Measures of retail service quality

Service quality in retailing is different from any other product/service environment (Finn, 2004).

Because of the unique nature of retail service, improvements and measurements of quality in retailing cannot be approached in the same way as in case of the service industry. 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 et al., 2000). For this reason, Dabholkar et al., 1996 developed and empirically validated the Retail Service Quality Scale (RSQS) in order to capture the dimensions important to retail customers based on the triangulation qualitative research technique. They conducted qualitative research using three different methodologies - phenomenological interviews, exploratory depth interviews and tracking the customer through the store. 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'.

REVIEW OF LITERATURE

Table 1 presents the empirical literature focusing on customer satisfaction in retailing sector.

Table I: Empirical Literature focusing on Customer Satisfaction in Retailing Sector

Author	Country	Sampled Respondents	Methodology	Findings
Oh (1999)	USA	545 Respondents	Maximum Likelihood Estimator by using the variance-covariance matrix and Multiple Regression Analysis	The results of the study showed that perceived value was an immediate antecedent to customer satisfaction and repurchase intention.
Lee et.al (2000)	Korea	196 respondents for the entertainment park, 197 for the aerobic school and 128 for the investment consulting firm	Lisrel analysis and Multiple Regression Analysis	The result of the study revealed that the performance - based measures of service quality captured more of the variation in service quality than the difference measures.
Kaul (2005)	India	144 adult shoppers	Structural Equation Modeling	The findings of the study suggested that the service quality dimensions were not appropriate for measuring service quality in India.
Naeem et.al (2009)	Pakistan	200 Bank Customers	Regression Analysis and T test	A significant relationship between service quality and customer satisfaction was found.

Author	Country	Sampled Respondents	Methodology	Findings
Munusamy et.al (2010)	Malaysia	117 respondents	Multivariate Regression Analysis	The results of the study revealed that there existed a positive relationship between reliability and customer satisfaction. Moreover, the other attributes, such as; assurances, tangibles, empathy and responsiveness all had a positive relationship with customer satisfaction.
Naik et. al (2010)	Andhra Pradesh (India)	369 respondents	Gap Analysis	The Results of the study showed that services offered by retail units had a positive impact and were significant in building customer satisfaction.
Ojo (2010)	Nigeria	230 respondents	Multivariate Regression analysis and ANOVA	Customer service was found to have an impact on service quality perception and customer satisfaction.
Agyapong (2011)	Ghana	7,621 clients of Vodafone (Ghana) in the Cape Coast Metropolitan area	Regression Analysis	A positive relationship between service quality and customer satisfaction was found.
Annamalah et.al (2011)	Malaysia	147 respondents who were banking customers from several bank branches in Klang Valley	Structural Equation Modeling	The results suggested that empathy and assurance were the key factors in delivering customer satisfaction, whereas, tangibility, reliability and responsiveness were found to be the least impacting customer satisfaction. The relationship between customer satisfaction and customer loyalty was also found to be very significant.
Sirajudeen (2012)	Tamilnadu (India)	100 policy holders.	Structural Equation Modeling	Customer service was found to be a critical success factor in a company and providing top notch customer services could differentiate great customer service from indifferent customer service.
Osman and Sentosa (2013)	Malaysia.	329 rural tourism spot tourists.	Structural Equation Modeling	The findings of the study suggested that customer satisfaction among rural tourism tourists could be improved and enhanced by focusing on factors that can enhance

Source: Compiled from Various Studies

2.1 Need of the study:

Academic researchers have always concentrated on measuring Customer Satisfaction in various sector but the studies on customer satisfaction in retail sector are a very few. Therefore the current study is an attempt to make up for this gap in the current literature. The current study covers the customers of three major players of retail sector in Punjab i.e. Big Bazaar, Best price and Reliance.

2.2 Objective of the study:

The current study is an attempt to find out the gap between perceptions and expectations of the customers regarding the services provided by the retail sector.

DATABASE AND RESEARCH METHODOLOGY

To find out the gap between customers' perceptions and expectations towards service quality in retailing, a questionnaire was framed. The questionnaire included items on the original five dimensions Physical aspects, Reliability, Personal interaction, Problem solving and Policy of the retail service quality scale, developed and updated by Dabholkar, et al., 1996. The questionnaire comprised of two parts. The first part of the questionnaire was designed to collect information related to expectations and perceptions from customers. Whereas, the second part of the questionnaire was related to the demographic profile of the customers. The data regarding perceptions and expectations of customers was collected on a 7-point interval scale, where 1 stands for strongly agree and 7 stands for strongly disagree. The universe of the study was those persons who are the customers of Big Bazaar, Best price and Reliance. The data was collected from 100 customers from the major cities of Punjab, i.e. Jalandhar, Ludhiana and Amritsar; out of them 96 usable responses representing a response rate of 96% were received. Sampled respondents were selected through Convenience Sampling Method. In order to analyze collected data, Gap Score and t- values have been calculated.

3.1 Sample characteristics

As far as the demographic profile of the respondents is concerned, the sample comprised of variety of respondents belonging to different economic and professional background.

The demographic background of the sampled respondents is presented in Table 2 to understand the customer profile. The ratio of male to female was almost equal in the sample. Furthermore, young respondents within the age group of 20-30 years formed the majority (around 51%).

Table 2: Demographic Profile of Respondents

Demographic Variables	No. of Respondents (%)	
Gender	Male	47 (49)
	Female	49 (51)
	Total	96 (100)
Age (Yrs)	Below 20	5 (5)
	20-30	51 (53)
	30-40	18 (19)
	40-50	11 (12)
	50-60	9 (9)
	Above 60	2 (2)
	Total	96 (100)
Marital Status	Married	45 (47)
	Single	50 (52)
	Divorcee	1 (1)
	Total	96 (100)
Education Level	Matriculation	12 (13)
	Graduation	33 (34)
	Post graduation	44(46)
	Any other	7 (7)
	Total	96 (100)

Occupation	Student	12 (13)
	Businessmen	26 (27)
	Servicemen	33 (34)
	Professional	14 (15)
	Housewife	11 (11)
	Total	96 (100)
Monthly Income(Rs.)	Below 20000	15 (16)
	21000-30000	28 (29)
	31000-40000	27 (28)
	More than 40000	25 (26)
	Total	96 (100)

Source: Survey

As far as education level is concerned, 46% of the respondents were post graduates followed by graduates (34%). As far as respondents' occupation is concerned, majority of respondents belong to service category (33%), followed by businessmen (27%), professional (15%), students and housewives (13%) each. For income categorization, 29% respondents had total monthly income between Rs. 21000-30000 followed by (28%) respondents in income category between Rs.31000-40000.

ANALYSIS AND DISCUSSION

To find out the gap between expectations and perceptions of customers in retailing sector, 28 statements on the basis of various dimensions relating to satisfaction in banking sector were framed. The respondents were asked to give their agreement or disagreement regarding these statements on seven point Likert scale ranging from 1(Strongly Agree) to 7(Strongly Disagree).

4.1 Gap Analysis of customers' expectations and perceptions

Expectations and perceptions were both measured using the 7-point likert scale whereby the higher numbers indicate higher level of expectation or perception. Since Parsuraman, 1988 has defined service quality as a gap between customers' expectations and perceptions, customers' responses to their expectations and perceptions were obtained on a 7-point Likert scale and were compared to arrive at (P-E) gap scores. The higher (more positive) the perception minus expectation score, the higher is perceived to be the level of service quality. In general, consumer expectation exceeded the perceived level of service shown by the perception scores for all the dimensions (Rakesh, R. 2012; Mizener et al., 2011 and Daniel and Berinyuy, 2010). According to Parasuraman et al., (1988) it is however common for consumer's expectation to exceed the actual service perceived which resulted in a negative gap score (Perception – Expectation). This signifies that there is always a need for improvement (Parikh, D., 2011 and Mohamed, 2007).

The results in Table 3 show that the gap is negative for some statements indicating dissatisfaction of the customers. For 'Physical Aspects' dimension, component wise analysis indicates that the higher level of dissatisfaction was observed in items like modern-looking equipment and fixtures. 'Reliability' dimension's expected mean score was 4.713 and perceived mean was 4.755667 with a gap of 0.042667

Under this dimension, high level of dissatisfaction was observed under the item of 'error free records'. Under 'Personal interaction' dimension, almost all dimensions show negative gap which shows dissatisfaction among customers. Moreover, this dimension accounted for negative score which speaks of poor response of retail sector towards customers' requests and delivering prompt service.

This indicates that the major reason for dissatisfaction of customers in retail sector is due to poor customer dealing.

Of all dimensions 'Problem solving' dimension also shows negative gap thus indicating less satisfaction for items under this dimension like, "This store willingly handles returns and exchanges", handling customers' complaints directly and immediately and sincere interest in solving problems. Thus, retail sector should take adequate measures and pay attention on the above aspects in order to understand the requirements of the customers and to satisfy their needs. The use of difference scores gives retail sector a better understanding of whether increasing expectations or diminishing performance might be responsible for declining service quality and customer satisfaction (Hudson, et al., 2004). As far as under dimension of 'Policy' is concerned, all the statement shows a negative gap score. The gap (P-E) shown in Table 3 is positive for first two factors (i.e. Tangibility and Reliability) for respondents of retailing sector indicating satisfaction among customers. For Responsiveness and Assurance factors, the gap is negative indicating dissatisfaction among customers. Further, Empathy shows no gap between the expected and actual level of respondents. Component wise analysis indicates that the higher level of dissatisfactions are observed in factors like keeping accurate and error-free records, Performing services at exact time, Prompt Service, instill confidence, safe feeling in transactions etc.

Table 3: Comparison of Mean and t-Values of Expectations and Actual Satisfaction Level

Component	Mean score for Perception (P)	Mean score for Expectation (E)	Gap Score = (P-E)	t-value	Sig.
This store has modern-looking equipment and fixtures	5.182	5.595	-0.413	-2.369	.020*
The physical facilities at this store are visually appealing	5.095	4.570	0.525	-2.726	.008*
Materials associated with this store's service are visually appealing	4.367	4.360	0.007	-2.897	.005*
This store has clean, attractive, and convenient public areas	5.008	4.831	0.177	-6.920	.000*
The store layout at this store makes it easy for customers to find what they need	5.095	4.926	0.169	-2.208	.030*
The store layout at this store makes it easy for customers to move around in the store	4.068	4.570	-0.502	-4.175	.000*
Physical aspects	4.8025	4.808667	-0.00617	-5.444	.000*
When this store promises to do something by a certain time, it will do so	4.983	4.736	0.247	-4.175	.000*
This store provides its services at the time it promises to do so	5.087	4.364	0.723	-5.444	.000*
This store performs the service right the first time	5.017	4.678	0.339	-3.961	.000*
This store has merchandise available when the customers want it	4.843	4.616	0.227	-3.068	.003*
This store insists on error-free sales transactions and records	5.116	5.884	-0.768	-4.518	.000*
Reliability	4.755667	4.713	0.042667	-4.435	.000*
Employees have the knowledge to answer customers' questions	3.488	4.000	-0.512	-2.263	.026*
The behaviour of employees in this store instils confidence in customers	3.901	4.273	-0.372	-5.585	.000*
Customers feel safe in their transactions with this store	4.178	4.835	-0.657	-7.155	.000*
Employees in this store give prompt service to customers	4.847	5.202	-0.355	-4.476	.000*
Employees in this store tell customers exactly when services will be performed	5.116	5.211	-0.095	-4.922	.016*
Employees are never too busy to respond to customers' request	5.095	4.570	0.525	-3.135	.002*
This store gives customers individual attention	4.475	4.087	0.388	-1.261	.211
Employees in this store are consistently courteous with customers	5.095	4.570	0.525	-3.492	.001*
Employees in this store treat customers courteously on the telephone	5.095	4.570	0.525	-2.325	.022*
Personal interaction	4.665333	4.686444	-0.02111	-5.160	.014*

This store willingly handles returns and exchanges	4.186	4.860	-0.674	-3.690	.000*
When a customer has a problem, store shows a sincere interest in solving it	5.536	5.770	-0.234	-3.799	.000*
Employees are able to handle customer complaints immediately	4.388	5.545	-1.157	-3.343	.001*
Problem solving	4.637333	5.139333	-0.502	1.136	.259
This store offers high quality merchandise	3.988	4.103	-0.115	-3.222	.002*
This store provides plenty of convenient parking for customers	4.112	4.496	-0.384	-4.405	.000*
This store has operating hours convenient for all its customers	4.070	4.744	-0.674	-4.374	.007*
This store accepts most major credit cards	3.872	4.686	-0.814	1.136	.259
This store offers its own credit cards	4.851	4.616	0.235	-3.222	.002*
Policy	4.22625	4.6355	-0.40925	-4.405	.000*

Source: Calculated through SPSS

Note: *indicates significant at 5% level of significance

CONCLUSION

The retail sector in Punjab comprises of three major players i.e Big bazaar, Best Price and Reliance retail and the same have been covered in the current study. The current study concluded that these retail stores are well organized and equipped. Customers reported highest satisfaction for promptness and speed of service along with accuracy of transactions at cash counters. They were also satisfied with the processing of transactions and efforts to expedite processing whenever the traffic at the counters increased. They were highly satisfied with the willingness of staff to assist customers in accessing facilities, assortments, information on products, stock positions etc. It is very obvious from the results that Big bazaar, Best Price and Reliance are doing very well in the retail segment and have been able to deliver quality services through their retail outlets. Dimensions like attention to details, promptness in addressing complaints; initiations of corrective action in case of faulty transactions and goods are sought by the respondents. These issues should be prioritized as the most important ones for offering better and improved quality of services to the customers and to make shopping a pleasurable experience.

The above analysis of the customer perceptions towards the services in retail outlets brings out certain weaknesses of these retail stores which affect the customer attitude towards the store.

5.1 Limitations of the study

- Customer expectations and Customer Perceptions are subjective and are in a state of constant flux and change. The findings therefore can be generalized to a given period, a pre-defined market, and economic scenarios. A longitudinal study could probably overcome or alleviate this limitation.
- The current study is confined to the Indian scenario and with Punjab as the focal point. Geo-demographic could have a great deal of influence on the customer expectations and perceptions that would perhaps influence the satisfaction level of customers. Moreover, data for the study was collected from Jalandhar, Amritsar and Ludhiana cities of Punjab. However, a more extended geographical sample may produce different results.

5.2 Scope for further research

The present study examines the impact of service quality on customer satisfaction in retailing sector as a whole. Comparative analysis can be done between different retail outlets or between different cities. Interstate comparison can be done with different outlets. Due to time constraints the sample of respondents was just 100, further study can be conducted by taking a larger sample.

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