

MEASUREMENT OF CONSUMER'S PERCEPTION OF SERVICE QUALITY IN ORGANIZED RETAIL USING SERVQUAL INSTRUMENT

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ABSTRACT

Retail sector is one of the fastest growing sectors in the world today. India is seeing a growth of about 15-25 percent per annum in its retail business. The government is also looking forward to open up foreign direct investment in the Indian retail industry. The paradigm shift in Indian retail industry can be accounted to many factors ; the growth of Indian economy, the change in consumer's attitude, the increase in per capita income and overall household income, and the influence of western culture, being a few of them. These factors have led to a major change in the buying habits and purchasing behavior of the Indian consumers and thus the retail industry has become one of the key industries to look forward to in the coming years. Many corporates are looking forward to enter the organized retail segment, seeing the enormous growth potential there. But despite the big players entering the retail sector, and the boom in retail industry, organized retailing in India can be still said to be in a very nascent state. People still do not find it very convenient to go to a mall to shop for their daily needs and the local general store or kirana shop is preferred for daily shopping.

This paper tries to analyze the service quality gap between the expected and delivered service of the organized retail stores in Lucknow. The aim of this paper is to find out whether the organized retail stores are actually performing according to customers expectations or are there any gaps between the expected and perceived service quality. This assessment of difference between expected and perceived service quality would be done with the help of the SERVQUAL instrument.

INTRODUCTION

The study of service quality has gained a lot of importance in past two decades. The main reason for study of service quality and gap analysis is that the gap between expected and perceived service is the determining factor which leads to a satisfied or a non satisfied customer. Consequently, gap analysis is the foremost step towards understanding customer's expectations and increasing customer satisfaction. And the knowledge of factors which act as satisfiers for customers can act as a competitive advantage for the firms by helping them to exceed the customers' expectations.

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A satisfied customer will always act as an asset for the firm, who will not only come for repeat purchases, and is a loyal customer, but will also, spread a positive word of mouth for the firm leading to increase customer base. Inversely, a dissatisfied customer will always mean a loss of not one, but atleast 7-10 more customers. Therefore it is essential to keep the customers satisfied, and service quality is the most important tool to achieve this satisfaction.

But many a times, the quality of service which is delivered by the provider, or is perceived by a customer, is much lower than the quality expected by the customer. Therefore it becomes necessary to analyze the existence of possible gaps in the perceived and expected service quality.

OBJECTIVES OF THIS STUDY

The purpose of the study is to assess the gaps between expected and delivered service quality, as perceived by the customers of organized retail stores of Lucknow.

- The purpose of this project is to foster an understanding of what service quality really is and what are the factors influencing it.
- To identify which dimensions of service quality are perceived to be more important by the customers.
- To identify the service quality differences between the expected service and perceived services.

LITERATURE REVIEW

Service quality

Juran (1999) defines customer led quality as, "feature of products which meet customer's needs and thereby provide satisfaction", and service quality relates to meeting customers' needs, 'perceived service quality' is identified to understand the consumer. Zeithaml (1987) defined perceived quality as 'the consumers' judgment about an entity's overall excellence or superiority', which can be viewed as distinct from 'objective' quality in as much as it is a form of attitude, related in part to satisfaction, and resulting from a comparison of expectations with perceptions of performance.

Measuring Service Quality

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either. There always exists an important question: Why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery.

SERVQUAL: An overview

SERVQUAL is a result of a systematic on-going study of service quality that begun in 1983. The model defines quality as the difference between customers' expectations and perceptions with regard to the service delivered in the past. The respondents are asked to answer two sets of questions dealing with the same subject. One set of questions is general (e.g. quality of service in financial institutions), the other pertaining to a company in question (e.g. quality of service in bank X).

Respondents choose from a seven-point modified Likert scale to indicate the degree of their agreement with each of the given statements. For each of the items (service attributes), a quality judgement can be computed according to the following formula:

$$\text{Perception (P}_i\text{)} - \text{Expectation (E}_i\text{)} = \text{Quality (Q}_i\text{)} \quad (1)$$

The SERVQUAL score (perceived service quality) is obtained by the following equation:

$$Q = \frac{1}{22} \sum_{i=1}^{22} (P_i - E_i) \quad (2)$$

The $P_i - E_i$ gap scores can be subjected to an iterative sequence of item-to-item correlation analyses, followed by a series of factor analyses to examine the dimensionality of the scale. Using the oblique rotation that identifies the extent to which the extracted factors are correlated, Parasuraman et al. [1988] discovered five quality dimensions:

- **Tangibles:** physical facilities, equipment, and appearance of personnel;
- **Reliability:** ability to perform the promised service dependably and accurately;
- **Responsiveness:** willingness to help customers and provide prompt service;
- **Assurance:** knowledge & courtesy of employees & their ability to convey trust & confidence;
- **Empathy:** caring and individualised attention that company provides its customers with.

Since services are intangible, heterogeneous, and inseparable, it is difficult to measure service quality objectively. Over the years, many researchers have proposed and evaluated alternative service quality models and instruments for measuring service quality. Among these models, SERVQUAL (Parasuraman, Zeithaml and Berry, 1985) is the most prominent and the most widely used. The authors of this model proposed that the consumer's opinion of quality is formed by an internal comparison of performance with expectations. Good service quality means that the customers' perceptions of service performance meet or exceed their expectations of what the service firm should provide. Through in-depth interviews and focus group discussions with firms in four different service industries, Parasuraman, Zeithaml and Berry (1985) identified five determinants of service quality which include tangibles, reliability, responsiveness, assurance, and empathy. The SERVQUAL scale has been widely used to measure service quality in different service contexts, such as professional services (Freeman and Dart, 1993), health care (Lam, 1997), tourism (Tribe and Snaith, 1988), business school (Pariseau and McDaniel, 1997) and information systems (Kettinger and Lee, 1994). It has also been widely tested for its validity and reliability (Babakus and Boller, 1992;

Bolton and Drew, 1991; Cronin and Taylor, 1992, 1994). In spite of the fact that some of these studies failed to support the five-dimensional factor structures, Parasuraman, Berry and Zeithaml (1993) defended the five-factor structure of service quality on conceptual and practical grounds.

RESEARCH DESIGN

The research design used is explained below.

Sampling method and sample size

Simple random and convenience sampling were applied for data collection. Data was collected from 150 shoppers in various Malls in Lucknow in like Shoppers stop, Fun Republic, Waves, And Sahara Ganj, which have a cluster of retail outlets.

Data collection

The primary data was collected from 150 customers by administering a structured questionnaire. The secondary data was collected from various journals, magazines, and websites. The collected data was analyzed by using statistical tools such as means, reliability coefficient etc.

Table 1: Demographic profiles of the Respondents.

Age	N=150	Percent
20-30	44	29.3
30-40	46	30.7
40-50	33	22.0
50 and above	27	18.0
Total	150	100.0

Gender	N=150	Percent
Male	65	43.3
Female	85	56.7
Total	150	100.0

Methods and statistical tools used

A modified form of servqual instrument was used here for data collection. The questionnaire consisted of 16 statements on expectations and 16 statements on perceptions. Five-point Likert scale was employed for the study. Respondents were asked to evaluate the parameters on overall service quality in a five-point scale anchored at 1='strongly disagree' and 5='strongly agree'. On comparing the two aspects like expectations and actual service encountered, one can know the gap. The data of the questionnaires were input in an electronic spreadsheet for further analysis and interpretation of the results. The statistical analysis was conducted using SPSS software which helped in application of various tools to test the reliability of the questionnaire and to accept or reject the null hypothesis.

Hypothesis

H0 = There is no significant difference between the expected and perceived service quality

H1 = There is significant difference between the expected and perceived service quality

DATA ANALYSIS AND RESULTS

Overall Reliability: The overall reliability of the 32 questions was found to be 0.838 which makes the questionnaire reliable to be used for data collection.

Table 2 A: Reliability Statistics (overall)

Cronbach's Alpha	N of Items
.838	32

Reliability of Questions related to Expectation: The reliability of 16 questions designed to test the expected service quality was found to be 0.909.

Table 2 B: Split half Reliability (1st half)

Cronbach's Alpha	N of Items
.909	16

Reliability of Questions related to Perception: The reliability of 16 questions designed to test the expected service quality was found to be 0.945.

Table 2 C: Split half Reliability (2nd half)

Cronbach's Alpha	N of Items
.945	16

MOST IMPORTANT QUALITY DIMENSIONS PERCEIVED BY THE CUSTOMER AND GAP ANALYSIS:

The gap is calculated by subtracting the expected mean score for each dimension from the perceived mean score for each dimension.

$$\text{Perception (} P_i \text{) - Expectation (} E_i \text{) = Quality (} Q_i \text{)}$$

The positive difference indicates that the delivered or the perceived service quality is better than the expected service quality, whereas, a negative difference indicates that the service provider is unable to match the customer's expectation. A little negative score is always expected because consumer will always want more quality, but if the gap is too high, then it is a cause of concern.

The detailed descriptive analysis shows that the most important dimension where the customer is having the maximum expectation is that the retailers should not make any fake promises or claims about the service. Overall also, reliability stood out as the most important dimensions of service quality for the customers. They want the service providers to be true to their words, have safe and error free transactions, and the promises made to be fulfilled.

Another thing which the customers want is to be treated as an individual with unique needs. Also an empathetic behavior from the service provider and the employees rank high on the importance list of the customers.

The detailed descriptive statistics results can be seen in appendix 2.

The gap analysis indicates that the maximum gap between the expected and perceived quality dimension in the reliability dimension. The customers probably are not satisfied with the promises made by the service providers and their actual performance on those promises. The service providers should be very careful about the messages which they are conveying to the customer, because the communication from service provider sets the level of customers expectations and if that level is not achieved in performance by the service providers, it leads to customer dissatisfaction.

The gap analysis also indicates that the customers are not very satisfied on the empathy dimension too. Employee should be given proper training to understand the needs of individual customers and solve their problems accordingly.

Overall gap analysis shows the perceived service quality is lower than the expected service quality. The highest gap is in reliability dimension, whereas, the gap is minimum in the tangibles dimension.

Table 3: The Gap Scores on each dimension

Dimension	Item no.	Perceived Mean	Expected Mean	Gap Score
Tangibles	1	4.0867	4.4267	-0.34
	2	3.6933	4.56	-0.8667
	3	4.2067	4.6667	-0.46
	Avg	3.9956	4.5511	-0.5556
Reliability	4	3.3	4.8933	-1.5933
	5	3.36	4.6267	-1.2667
	6	3.3467	4.6333	-1.2867
	7	3.36	4.6333	-1.2733
	Avg	3.3417	4.6967	-1.355
Assurance	8	3.3	4.6333	-1.3333
	9	3.66	4.5933	-0.9333
	10	3.68	4.6267	-0.9467
	Avg	3.5467	4.6178	-1.0711
Responsiveness	11	3.6267	4.6333	-1.0067
	12	3.6267	4.6333	-1.0067
	13	3.7067	4.6267	-0.92
	14	3.5733	4.6267	-1.0533
	Avg	3.6333	4.63	-0.9967
Empathy	15	3.58	4.7	-1.12
	16	3.66	4.6933	-1.0333
	Avg	3.62	4.6967	-1.0767

DIMENSION	PERCEIVED	EXPECTED	DIFFERENCE
TANGIBLES	3.9956	4.5511	-0.5556
RELIABILITY	3.3417	4.6967	-1.355
ASSURANCE	3.5467	4.6178	-1.07108
RESPONSIVENESS	3.6333	4.63	-0.9967
EMPATHY	3.62	4.6967	-1.0767
OVERALL	3.6274	4.6384	-1.011

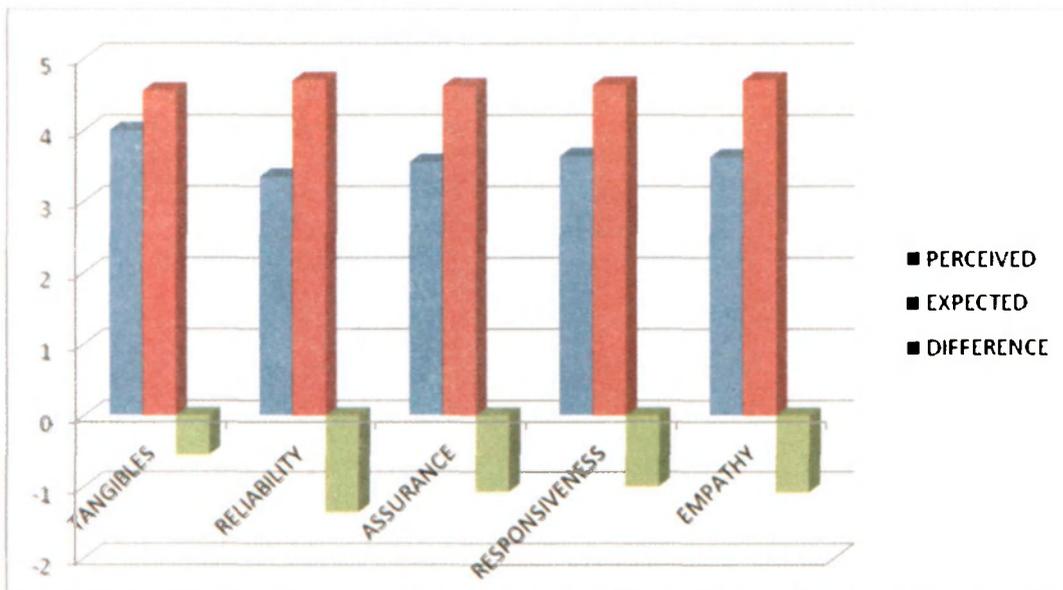


Figure 1: Graphical Representation of the gaps on each dimension.

SIGNIFICANCE TESTING RESULTS:

The existence of gap in expected and perceived service quality is normal as the customer would always want more quality in the service. Therefore it is essential to test the significance of the calculated gap on each service quality dimension.

The significance testing results showed that calculated gap is significant at 95% for each dimension i.e, tangible, reliability, assurance, responsiveness, and empathy.

Therefore, the null hypothesis is rejected and it is concluded that a significant gap exists in the expected and perceived service quality. The t –test results for each dimension are given below in table 4.

**Table 4: Paired Samples Tests
(A) Tangibles**

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					lower	upper			
Pair 1	E_tangible_well_dressed_and_professional and P_tangible_well_dressed_and_professional	.34000	.91834	.07498	.19183	.48817	4.534	149	.000
Pair 2	E_tangible_well_mannered and P_tangible_well_mannered	.86667	1.14497	.09349	.68194	1.05140	9.270	149	.000
Pair 3	E_tangible_presentation and P_tangible_presentation	.46000	.90953	.07426	.31326	.60674	6.194	149	.000

(B) Reliability

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					lower	upper			
Pair 1	E_reliability_no_fake_promises and P_reliability_no_fake_promises	1.59333	1.09359	.08929	1.41689	1.76977	17.844	149	.000
Pair 2	E_reliability_keeping_schedules and P_reliability_keeping_schedules	1.26667	1.26738	.10348	1.06219	1.47115	12.241	149	.000
Pair 3	E_reliability_product_features – and P_reliability_product_features	1.28667	1.28667	.10506	1.07907	1.49426	12.247	149	.000
Pair 4	E_reliability_true_promises and P_reliability true promises	1.27333	1.26860	.10358	1.06866	1.47801	12.293	149	.000

(C) Assurance

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					lower	upper			
Pair 1	E_assurance_knowledge_about_policies - P_assurance_knowledge_about_policies	1.33333	1.30906	.10688	1.12213	1.54454	12.475	149	.000
Pair 2	E_assurance_convincing_ability - P_assurance_convincing_ability	.93333	1.10925	.09057	.75437	1.11230	10.305	149	.000
Pair 3	E_assurance_interest_representation - P_assurance_interest_representation	.94667	1.01523	.08289	.78287	1.11046	11.420	149	.000

(D) Responsiveness

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	E_responsiveness_prompt_reply - P_responsiveness_prompt_reply	1.00667	1.07126	.08747	.83383	1.17951	11.509	149	.000
Pair 2	E_responsiveness_quick_follow_up - P_responsiveness_quick_follow_up	1.00667	1.08372	.08849	.83182	1.18152	11.377	149	.000
Pair 3	E_responsiveness_explanation_language - P_responsiveness_explanation_language	.92000	.98662	.08056	.76082	1.07918	11.420	149	.000
Pair 4	E_responsiveness_problem_solving - P_responsiveness_problem_solving	1.05333	1.11600	.09112	.87328	1.23339	11.560	149	.000

(E) Empathy

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					lower	upper			
Pair 1	E_empathy_treatment_as_unique_individual - P_empathy_treatment_as_unique_individual	1.12000	1.07391	.08768	.94673	1.29327	12.773	149	.000
Pair 2	E_empathy_doubt_clarification - P_empathy_doubt_clarification	1.03333	1.00613	.08215	.87100	1.19566	12.579	149	.000

CONCLUSION AND SUGGESTIONS

The primary objective of this study was to find out the gaps between expected and delivered service quality, as perceived by the customers of organized retail stores of Lucknow. The study also aimed to analyze the dimensions of service quality, which are most important for the customers. It was found that although the organized retail is growing strongly, still there exists a significant gap between the expected and perceived service quality of the retail outlets of Lucknow. It was also found that the reliability dimension is most important from the consumer's point of view.

The gap analysis is the first and foremost step towards assessment and improvement of service quality. The results of the study can be used by the retail outlets to identify the gaps which are there in the service quality, analyze them and try to remove them. For example, to perform better on the reliability dimension, the service providers can improve their advertisement campaign, as well as their service quality, so that the consumer does not feel that he has been fooled with catchy promises. The empathy dimension score can be improved by giving proper training and better working environment to the employees.

Also it should be kept in mind that every encounter with the customer can help to improve his perception regarding the service quality of the provider, so maximum efforts should be made to satisfy all the genuine requests and questions of the customers. This would help to perform better on the responsiveness dimension.

The retail outlet should also have proper signages, neat and clean environment, and well dressed and polite employees, to make shopping a comfortable experience for the customer. These few steps can definitely help to bring down the gap between expected and perceived service quality.

LIMITATIONS

The study was conducted in a few selected outlets of Lucknow, so it is difficult to generalize its findings for all the service providers. Also, the small sample size of 150 acted as a limitation. Probably a larger sample size would have captured the perceptions more correctly.

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**Appendix 1:
The SERVQUAL Questionnaire.**

Expected Score					Statements	Perceived Score				
1	2	3	4	5		1	2	3	4	5
1	2	3	4	5	The retailer has a well-dressed and professional appearance	1	2	3	4	5
1	2	3	4	5	The retailer was well mannered and friendly.	1	2	3	4	5
1	2	3	4	5	The retailer presented products in a professional manner.	1	2	3	4	5
1	2	3	4	5	The retailer keeps the scheduled time for delivering the products	1	2	3	4	5
1	2	3	4	5	The retailer did not make promises about concessions and discounts that he could not keep	1	2	3	4	5
1	2	3	4	5	The retailer was very careful about what he said about product quality, price and features.	1	2	3	4	5
1	2	3	4	5	The retailer made only those promises that he could fulfill.	1	2	3	4	5
1	2	3	4	5	The retailer demonstrated extensive knowledge of policies, companies and costs	1	2	3	4	5
1	2	3	4	5	The retailer was convincing about the company's products.	1	2	3	4	5
1	2	3	4	5	The retailer indicated he would represent my interest with the company if any problem arose.	1	2	3	4	5
1	2	3	4	5	The retailer gave immediate, direct, non-evasive answers to my questions.	1	2	3	4	5
1	2	3	4	5	The retailer followed-up quickly with answers to questions about products and services	1	2	3	4	5
1	2	3	4	5	The retailer gave explanations in a language I could understand	1	2	3	4	5
1	2	3	4	5	The retailer solved problems and responded to my requests quickly and correctly.	1	2	3	4	5
1	2	3	4	5	The retailer treated me as an individual with unique needs.	1	2	3	4	5
1	2	3	4	5	The retailer carefully listened to my questions and tried to clarify my doubts.	1	2	3	4	5

Appendix 2:
The detailed descriptive statistic

	N	Min	Max	Mean	SD
E tangible well dressed and professional	150	1.00	5.00	4.4267	.84620
E tangible well mannered	150	3.00	5.00	4.5600	.52431
E tangible presentation	150	4.00	5.00	4.6667	.47298
E reliability no fake promises	150	3.00	5.00	4.8933	.35039
E reliability keeping schedules	150	4.00	5.00	4.6267	.48531
E reliability product features	150	4.00	5.00	4.6333	.48351
E reliability true promises	150	4.00	5.00	4.6333	.48351
E assurance knowledge abt policies	150	4.00	5.00	4.6333	.48351
E assurance convincing ability	150	2.00	5.00	4.5933	.59185
E assurance interest representation	150	4.00	5.00	4.6267	.48531
E responsiveness prompt reply	150	4.00	5.00	4.6333	.48351
E responsiveness quick follow up	150	4.00	5.00	4.6333	.48351
E responsiveness explanation language	150	4.00	5.00	4.6267	.48531
E responsiveness problem solving	150	4.00	5.00	4.6267	.48531
E empathy treatment as unique individual	150	4.00	5.00	4.7000	.45979
E empathy doubt clarification	150	4.00	5.00	4.6933	.46265
P tangible well dressed and professional	150	4.00	5.00	4.0867	.28229
P tangible well mannered	150	2.00	5.00	3.6933	.87429
P tangible presentation	150	1.00	5.00	4.2067	.80516
P reliability no fake promises	150	2.00	5.00	3.3000	1.00168
P reliability keeping schedules	150	2.00	5.00	3.3600	.97815
P reliability product features	150	1.00	5.00	3.3467	.99655
P reliability true promises	150	2.00	5.00	3.3600	.97815
P assurance knowledge abt policies	150	1.00	5.00	3.3000	1.00835
P assurance convincing ability	150	2.00	5.00	3.6600	.80959
P assurance interest representation	150	2.00	5.00	3.6800	.78851
P responsiveness prompt reply	150	2.00	5.00	3.6267	.83181
P responsiveness quick follow up	150	1.00	5.00	3.6267	.84779
P responsiveness explanation language	150	2.00	5.00	3.7067	.76454
P responsiveness problem solving	150	2.00	5.00	3.5733	.86967
P empathy treatment as unique individual	150	2.00	5.00	3.5800	.86908
P empathy doubt clarification	150	1.00	5.00	3.6600	.81784