

# Measuring Retail Service Quality: A Study on Indian Departmental Stores

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## Abstract

*This present study mainly focused on service quality measurement in departmental retail stores. A department store is retail concerns which focus in fulfilling an extensive range of the individual and housing durable goods, product needs; and offering the shopper a choice multiple products lines, at different price, in all product groups. Based on the literature studies, limited service quality measurement studies with regards to departmental stores available in India. Hypothesis for the present study framed like finding the effects of RSQS service quality dimensions on stores customer satisfaction. The present study conducted at three different metropolitan cities in South India. Chennai, Madurai and Coimbatore are the research area. 300 respondents are selected using judgmental sampling method. . Researcher has used modified version of RSQS (27 items) to measure the stores service quality. Present study result concludes that that service quality dimension directly affects the customer satisfaction.*

**Key words:** Retail Service Quality, Retail Stores, Departmental Stores etc.

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## INTRODUCTION

Retail sector occupies one sixth of the labour force in the world and it is one of the leading private sector that accounts for developing GDP. In India, retail sectors is high ranked an more attractive market for investments, it contributes about 10 per cent of total GDP of India and second largest sector which offers high employment to public next to agriculture sector. Globally, among 30 different rising markets, India has identified as a second most gorgeous retail destination. In recent years, Indian economy has been experience rising significance of formal retailing like departmental stores, hypermarkets and super markets. It can be concludes that many retail outlets approaching into the competitive retail market with branded retail outlets. Retailing is the final chain that links the manufactures and individual consumers. Normally money coerces the economy and retail is place where consumers pay out their money.

This present study mainly focused on service quality measurement in departmental retail stores. A department store is retail concerns which focus in fulfilling an extensive range of the individual and housing durable goods, product needs; and offering the shopper a choice multiple products lines, at different price, in all product groups. Many marketing research studies shows that customers satisfied with the quality of services provided by the retail stores are most likely to stay loyal to the store. Service quality is taken as an important factor to increase the satisfaction of the customers and customer loyalty.

A variety of service quality measurement tools are used by the researcher to know the accurate level of customer satisfaction and customer loyalty towards their retail service offering. The main aim of the study is to find the level of service quality offered by the departmental stores in Tamilnadu and how well service quality factors affects the level of satisfaction of the customers.

## LITERATURE REVIEW

After the development of service quality scale (SERVQUAL) by **Parasuraman, Zeithaml and Berry (1988)** use of service quality to measure the level of satisfaction of the customers with service condition has been on the increased. This instrument measures the difference between consumer's perceptions of service and expectations of service performance. Most of the studies used SERVQUAL instruments to measure the service quality (**Lassar, Manolis and Winsor, 2000; Long and McMellon, 2004**). But on pure service industries like retailing, using SERVQUAL to measure the service quality is bit difficult. To solve this problem **Dabholkar, Thorpe and Renz (1996)** developed a new instrument named Retail Service Quality Scale (RSQS) to measure the retail service quality.

Many studies agrees with service quality is the most powerful strategic weapon in retail stores mainly in increasing suspicious market strategies (**Fisk et al, 1993**). Demanding competition in retailing makes service quality as a vital determinant of consumer satisfaction and overall customer loyalty, performance of the stores (**Daskalopoulou, I., and Patrou, A, 2005; Jones, K and Doucet, M, 2000**).

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**Bitner, M. J, (1990); Grönroos, (1984)** studies reveals the service quality has significant relation with customer satisfaction and purchase intention factors like word of mouth, switch to others and repurchase. **Thenmozhi and Dhanpal (2011)** study shows that customer satisfaction and customer retention can be attained by retail service quality. More prominently, for the success of the stores and increase market share, customer loyalty is crucial factor. Because customer satisfaction not only makes the customer retention it also makes recommendation about the stores to their peers (**Siu and Cheung, 2001**).

**Ramayah, T. & Jasmine, Y.A.L. (2003)** study on apparel stores concludes that each service quality dimensions have positive and strong relation with other service quality dimensions. **Oyeniye, O., & Abiodun, A. J. (2012)** study on Nigerian departmental stores reveals that RSQS dimensions found significant relation with stores customers' satisfaction.

Based on the above literature studies, limited service quality measurement studies with regards to departmental stores available in India. Hypothesis for the present study framed like finding the effects of RSQS service quality dimensions on stores customer satisfaction.

### RESEARCH METHODOLOGY

The present study was conducted at three different metropolitan cities in South India. Chennai, Madurai and Coimbatore are the research area. In south India, these three cities are one of the more imperative and commercial cities. Totally 30 departmental stores are randomly selected from three cities (10 departmental stores for each city, Chennai, Madurai and Coimbatore). From the 30 stores, 300 respondents are selected using judgmental sampling method. Respondents are asked to fill the structured questionnaire that includes questions related with store service quality and customer satisfaction. Researcher has used modified version of RSQS to measure the stores service quality. Original version of RQSQ (Dabholkar, Thorpe and Renz, 1996) consists of 28 items, and one time of RSQS was not applicable for India departmental stores. Stores owned credit cards are not used in Indian departmental stores, so that particular statement was not removed from final instrument. Seven point scale from "1- extremely disagree to 7- extremely agree" was used in the item measures. RSQS propose five service quality dimensions like physical aspects, reliability, personal interaction, problem solving and policy. Two (product and service) customer satisfaction related questions also used in the study. Questionnaire was self administered.

### DATA ANALYSIS AND INTERPRETATION

Cronbach alpha coefficient ( $\alpha$ ) was used to find the reliability of the instrument that is shown in table 1. It concludes that Cronbach alpha coefficient value is greater than accepted level of 0.700 (Nunnally, 1978). Cronbach alpha coefficient for all dimensions shows significant level of reliability and it range from 0.843 to 0.942.

**Table 1: Reliability statistics for RSQS dimensions**

Service quality dimensions	Cronbach's Alpha coefficient ( $\alpha$ )		N of Items
	Expected scale	Perceived scale	
Physical aspects	0.863	0.895	6
Reliability	0.874	0.889	5
Personal interactions	0.915	0.918	9
Problem solving	0.843	0.886	3
Policy	0.899	0.942	4
Overall	0.912	0.915	27

Pearson moment correlation analysis shown in table 2, it concludes that all the perceived service quality dimensions have significant relation with other service quality dimensions. Customer satisfactions find significant relation with physical aspects (15 per cent), reliability (38 per cent), personal interaction (37 per cent), problem solving (24 per cent) and policy (64 per cent).

**Table 2: Correlation analysis**

Variables	1	2	3	4	5	6
Physical aspects	1					
Reliability	.346**	1				
Personal interactions	.371**	.458**	1			
Problem solving	.446**	.328**	.381**	1		
Policy	.126*	.198*	.269**	.361**	1	
Customer satisfaction	.152**	.375**	.356**	.240**	.641**	1

\*\*Denotes significant at 1 per cent level.

\*Denotes significant at 5 per cent level.

Relative effects of RSQS dimensions on customer satisfaction were used using hierarchical regression and results are shown in table 3.

**Table 3: Hierarchical regression analysis**

Service quality dimensions	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	R <sup>2</sup> Change	F change	$\beta$	ANOVA F value	Sig.
Physical aspects	0.15	0.02	0.02	0.02	7.01	0.15	7.01	0.009**
Reliability	0.38	0.14	0.14	0.12	40.95	0.37	24.45	0.000**
Personal interactions	0.43	0.18	0.18	0.04	15.65	0.24	22.32	0.000**
Problem solving	0.44	0.19	0.18	0.01	2.57	0.10	17.47	0.110
Policy	0.70	0.49	0.48	0.30	172.84	0.60	56.69	0.000**

**\*\*Denotes significant at 1 per cent level.**

Hierarchical regression was used to find the relative worth of five service quality dimensions on customer satisfaction of the departmental stores. First step of the hierarchical regression shows the bivariate relationship between physical aspects and customer satisfaction ( $F=7.01$ ,  $p<0.01$ ). Bivariate correlation ( $R$ ) is 0.15 and it accounts only 2 per cent variance on customer satisfaction. Second step of the hierarchical regression shows the bivariate relationship between reliability and customer satisfaction ( $F=40.95$ ,  $p<0.01$ ). Bivariate correlation ( $R$ ) is 0.38 and it accounts only 14 per cent variance on customer satisfaction. Third step of the hierarchical regression shows the bivariate relationship between personal interactions and customer satisfaction ( $F=15.65$ ,  $p<0.01$ ). Bivariate correlation ( $R$ ) is 0.43 and it accounts only 18 per cent variance on customer satisfaction. Problem solving dimensions ( $F=2.57$ ,  $p>0.01$ ) are not significant with customer satisfaction and Problem solving dimension don't have significant effect on customer satisfaction. Final step of the hierarchical regression shows the bivariate relationship between policy and customer satisfaction ( $F=172.84$ ,  $p<0.01$ ). Bivariate correlation ( $R$ ) is 0.70 and it accounts only 49 per cent variance on customer satisfaction.

After the entrance of last independent variable (policy dimension)  $R^2 = 0.49$  and adjusted  $R^2 = 0.48$ , that point to almost most, half of satisfaction of customers in departmental stores in south India can be recognized to the level of service quality accomplished by the departmental stores. Hierarchical regression shows significant increase in the level of  $R^2$  as each dimension is includes in each step.

**Table 4: Gap analysis**

Service quality dimensions	Expected mean score	Perceived mean score	Gap
Physical aspects	6.57	6.29	-0.28
Reliability	6.57	6.29	-0.28
Personal interactions	6.53	6.29	-0.23
Problem solving	6.60	6.37	-0.23
Policy	6.40	6.06	-0.34

Table 4 explains Service quality gap analysis between five dimensions. Among five RSQS service quality dimensions, all service quality dimensions shows negative gap scores that means level of service perception is less than level of service expectation from the departmental stores. Particularly policy dimension shows high level of service gap (-0.34).

## DISCUSSION AND CONCLUSION

Inter correlation between the dimensions shows that all the perceived service quality dimensions have significant relation with other service quality dimensions. It direct corresponds with Ramayah, T. & Jasmine, Y.A.L. (2003) and several authors study. Customer satisfaction have significant relation with all service quality dimensions, this result corresponds with our pervious study results (Rajaram, R. P. C. S. & Sriram, V. P., 2013). More over policy dimension have high level of positive relation with customer satisfaction. Hierarchical regression analysis shows that  $R^2$  level is increase in each level with addition of each service quality dimensions. Problem solving dimensions are not significant predictors of customer satisfaction. Policy dimension play as an important predicted dimension on customer satisfaction. The Policy dimension variable shows a significant prediction power with 49 % additional variance. This result contradicts with Oyeniya, O., & Abiodun, A. J. (2012) study. In this study problem solving and policy dimensions are not significant predictors of customer satisfaction. Gap analysis concludes that all service quality dimensions gap score is negative, particularly policy dimension has highest negative gap score.

Present study concludes that RSQS is useful tool to measure the service quality of the retail stores. And also RSQS scales prove that service quality directly affects the customer satisfaction. Above results confirm the Dabholkar, Thorpe and Renz (1996) results. Departmental store owners and managers always ensure that physical facilities like convenient store layouts and store appearance. Store managers and owners also ensure

high level of reliability on the agreement made to consumers and ensure what is guaranteed is delivered. High level of training must be given to the store employee to increase the level of personal interaction with customers. Policy dimension factors like store convenience, policy regards with customer desire and response, opening hours must concentrate to increase the level of service quality. In conclusion, it is evident that departmental stores require increasing and preserving a competitive advantage if they are to endure in the competitive sector. To do so, shop owners and managers must recognize that service quality is a critical marketing tool. Shop owners and managers should often evaluate their consumers' perceptions of service quality and build up appropriate policies to meet their consumers' expectations. It would also be motivating for future studies to measure both expectation and perception to establish whether gaps between expectation and perception signify a significant issue in assessing departmental service quality.

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