

## CUSTOMER EXPECTATION OF RETAIL SERVICE QUALITY – A COMPARATIVE STUDY OF DEPARTMENTAL STORES IN COIMBATORE

M. Ramakrishnan\*

Dr. Sudharani Ravindran\*\*

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### ABSTRACT

*India witnessed significant growth in the organized retail store format in the last 10 years. Since Indian shoppers' preference to organized retail setup is growing year on year, it is imperative that the retailers should understand the service quality expectation of shoppers. The purpose of this study is to find out the customers expectation on retail service quality components in the departmental stores of Coimbatore. In the study a sample of 250 shoppers from two established department stores were surveyed to find out the customers expectation on retail service quality dimensions. Exploratory Factor Analysis was used to explore the retail service quality factor structure. The data is analysed using SPSS 16.0 and the results were compared between two stores. The factor analysis reveals the customers expected service quality dimensions in the departmental store setup.*

**Keywords:** *Exploratory Factor Analysis, Reliability, Retail Service Quality Scale, SERVQUAL.*

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\*Assistant Professor, KSR School of Management, Tiruchengode, TamilNadu, India.

\*\*Professor, PSG Institute of Management, Coimbatore, TamilNadu, India.

## INTRODUCTION

Ever since the liberalization move in 1990's, Indian economy witnessed a steady economic growth. With the beginning of new millennium, India was considered as an emerging super power and in 2009, Indian GDP based on purchasing power parity (PPP) stood at USD 3.5 trillion making it as the fourth largest economy in the world. AT Kearney, the well-known international Management Consultancy recently identified India as the "second most attractive retail destination" globally from among 30 emerging markets.

Given the opportunity in the organized retail in India especially in South India, it is imperative that the retail stores should understand the customers' expectation on service quality of stores.

## CONCEPT OF SERVICE QUALITY

Marketing research states that customers satisfied with the retail store's service are most likely to remain loyal to the store. Service quality is considered as a vital measure to increase the customer satisfaction towards the retail store and in turn helps the store to position its service in the minds of the customers. Various service quality measurement techniques are used by the retailers to find out the exact level of satisfaction of customers towards their service offering.

Research indicates that customers' satisfied with service quality are most likely to remain loyal (Wong and Sohal, 2003). Because of change in business environment, Indian customers are expecting more quality service (Angur, Nataraajan and jahera, 1999) and retailers can no longer afford to dissatisfy the customers in service issues (Firoz and Maghrabi, 1994, Kassen, 1989). Service quality is considered as a tool to increase the brand image of the store and act as a positioning tool (Mehta, Lalwani and Han, 2000).

Service quality ensures customer satisfaction (Bolton and Drew, 1991, Boulding et al, 1993) high revenues, increased customer retention (Bennett and Higgins, 1988) and leads to repeat customer purchase behaviour (Taylor and cronin, 1994) which ultimately increase the market share of the retailer (Bowen and Hedges, 1993). According to Gagliano and Hathcote (1994), retail services are classified into "Store Services", the extent to which variety, quality and dependability of service can be obtained, and "Sales Service", the extent to which prompt and individual service attention can be achieved. So it is imperative that retailers should concentrate on both store and sales service to get an overall service quality objective.

In rural and semi urban India retail stores are not concentrating in offering pure service oriented products. The focus of any retailer in India is to offer a mixer of both merchandise

and service. Today's business environment is becoming increasingly hostile and intense competition from both domestic and foreign companies leads to greater expectation from the customers. Service organizations strive to maintain a superior quality of service in an effort to gain customer loyalty (Zeithaml, 1996), therefore, long term success of a service organization is essentially determined by its ability to capture and retain a wide customer base. For companies to understand the customers' perception about the quality of their service, they must measure customers' satisfaction with their products and services (Rust and Oliver, 1994).

### SERVICE QUALITY MODELS

In the literature review of service quality the SERVQUAL model was mentioned as the fundamental method and instrument to measure service quality. The SERVQUAL model is used as a diagnostic tool for the measurement of customer service and identifies the customer satisfaction towards the service offers.

Parasuraman et al (1985) developed the conceptual framework for the SERVQUAL model and the model was refined in 1985, 1991, 1993 and 1994 (Parasuraman et al., 1988, 1991, 1993, 1994).

Valarie Zeithaml et al (1990) conducted focus group interviews and conducted customer service in different service industries to develop list of service quality attributes which define service quality in general. The list falls into five categories. These categories are

**Table 1: SERVQUAL Dimension**

S.No	Dimensions	Definitions
1	Tangibles	The appearance of physical facilities, equipment, appearance of personnel, and communication materials
2	Reliability	The ability to perform the promised service dependably and accurately
3	Responsiveness	The willingness to help customers and provide prompt service
4	Assurance	The knowledge and courtesy of employees and their ability to inspire trust and confidence
5	Empathy	The caring, individualized attention the firm provides to its customers

Source: Parasuraman, Zeithaml & Berry, 1988, p. 23. and Parasuraman, Berry, and Zeithaml, 1991, p. 41.

**SERVPERF Model**

Cronin and Taylor (1992) developed a "performance-based" service quality measurement scale called SERVPERF. The major difference between SERVQUAL and SERVPERF is that SERVQUAL operationalises service quality by comparing the perceptions of the service received with expectations, while SERVPERF maintains only the perceptions of service quality. The SERVPERF scale consists of 22 perception items excluding any consideration of expectations.

**Retail Service Quality Model**

Service quality in retailing is different from other service environments (Finn and Lamb, 1991; Gagliano and Hathcote, 1994). Since the retail service is unique in nature, measuring retail service quality will have to be different from the conventional service quality measurement. To overcome the above mentioned constraint in service quality model, Dabholkar, Thorpe and Rentz (1996) developed the retail service quality scale (RSQS) for measuring service quality in the retail setup. The RSQS has a five dimensional structure of which three dimensions comprise of two sub-dimensions each. Dabholkar, Thorpe and Rentz (1996) replicated their own study and found all the RSQS dimensions and sub-dimensions to be valid in the USA.

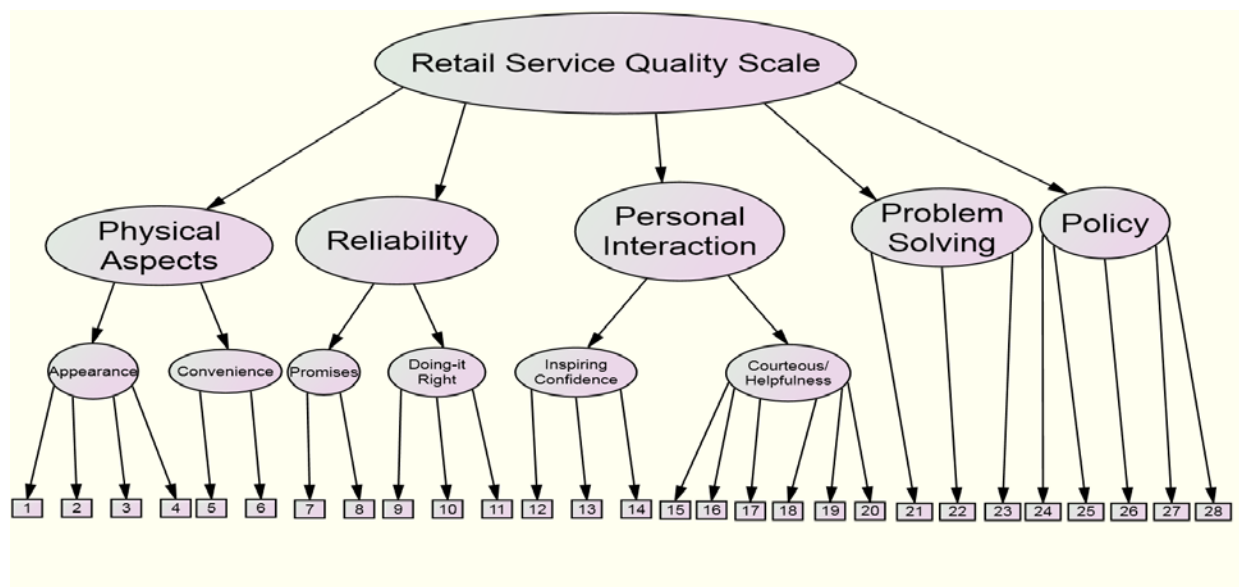
Boshoff and Terblanche (1997), in replication of Dabholkar study found highly encouraging results for the RSQS applicability in the context of department stores, specialty stores and hypermarkets in South Africa. Mehta, Lalwani and Han (2000) found the RSQS five dimensional structure appropriate for measuring the service quality perceptions of supermarket consumers in Singapore. Kim and Jin (2001) found that the RSQS model is useful for measuring service quality of discount stores across two different cultural contexts of USA and South Korea.

Brent Mckenzie (2006) found in his research that within a transition economy such as Estonia, retail service quality is best represented by the three factors of physical aspects, personal interaction and problem solving in contrast to the five factor model purported by Dabholkar et.al.

**Table 2: Retail Service Quality Scale (RSQS)**

S.No	Dimensions	Definitions
1	Physical aspects	Retail store appearance and store layout
2	Reliability	Retailers keep their promises and do the right things
3	Personal interaction	Retail store personnel are courteous, helpful, and inspire confidence in customers
4	Problem solving	Retail store personnel are capable to handle returns and exchanges, customers' problems and complaints
5	Policy	Retail store's policy on merchandise quality, parking, operation hours, and credit cards

Source: Dabholkar, Thorpe and Rentz. A Measure of Service Quality for Retail Stores: Scale Development and Validation, Journal of the Academy of Marketing Science, Winter 1996



Item 1-28 as given in Appendix II. All dimension and sub-dimensions are correlated amongst each other – but not depicted for the sake of clarity.

## RESEARCH OBJECTIVES

The primary objective of this research paper is to find out the factors determining the service quality in a departmental store environment. In order to determine the factors a Explorative Factor Analysis was used and the results were compared between 2 different retail stores.

## SAMPLING METHOD, PROCEDURE AND SAMPLE SIZE

The population was defined as in the similar studies – comprising retail shoppers (Dabholkar, Thrope and Rentz, 1996; Boshoff and Terblanche, 1997; Mehta et al, 2000; Kim and Jin, 2002). The sample was collected from a two well-known departmental stores at Coimbatore city of TamilNadu. Coimbatore was selected because of the presence of organized retail stores and is considered as a right place for understanding the customers' expectation on service quality dimensions.

A quota sampling procedure was used with a sample size of 250 respondents comprising 125 samples per store. The quota was fixed based on income, gender and age since these demographic characteristics are known to impact the perceptions of service quality (Gagliano and Hathcote, 1994). The sample was divided equally among income, gender and age groups.

## RELIABILITY ANALYSIS

Assessing the reliability and validity of scale is important for the analysis and without a reliable valid scale the analysis will lead to incorrect and misleading inferences. Reliability is concerned with the extent to which any measuring procedure yields the same results on repeated trials. Internal consistency method for reliability estimation was used. Cronbach alpha coefficient computes internal consistency reliability among a group of items combined to form a single scale. Nunnally (1978) suggested that constructs can be accepted with Cronbach's alpha coefficient of more than 0.60, otherwise 0.70 should be the threshold. Cronbach's alpha of 0.80 or more is considered significant and highly reliable.

Cronbach's alpha coefficient for overall and individual branches is as presented in Table 2.

**Table 3: Reliability Statistics**

S. No	Store Name	Cronbach-Alpha Co-efficient	No of Items
1	Store 1(Kannan Departmental Store)	0.902	26
2	Store 2 (Spencers)	0.871	26
3	Overall Sample Size	0.892	26

The results of the test indicated that the data collected from the respondents were very much reliable instrument, returning an overall Cronbach's alpha of 0.892.

**Kaiser-Meyer-Olkin (KMO) and Bartlett's scores**

Before carrying out the factor analysis, the data should have to be checked for its appropriateness of use (Kline, 1998). To check the appropriateness of use the Kaiser-Meyer-Olkin (KMO) and Bartlett's scores were measured (Table 4).

**Table 4: Kaiser-Meyer-Olkin (KMO) and Bartlett's scores**

	Bartlett Test of Sphericity		
	KMO	X <sup>2</sup> / Df	Significance
Overall Scale	0.857	2.596E3	0.000
Physical Aspects	0.699	198	0.000
Reliability	0.757	160.241	0.000
Personal Interaction	0.845	709.792	0.000
Problem Solving	0.733	338.426	0.000
Policy	0.583	39.256	0.000

**RESULTS AND DISCUSSION**

The collected data was analyzed using SPSS 16.0 version. Exploratory Factor Analysis (EFA) was performed to identify the factors influencing the retail service quality.

## Factor Analysis – Store 1 (Kannan Departmental Store)

## Rotated Component Matrix

Factor No	Factor Name	Factor Description	Component						
			1	2	3	4	5	6	7
1	Customer Problem Solving Ability	P21 Store willingly handles returns and exchanges	0.79	0.16	0.11	-0.01	0.02	0.19	-0.12
		P7 When this store promises to do something , it will do so	0.79	0.25	0.2	0.004	0	0.08	-0.01
		P23 Employees are able to handle customer complaints	0.76	0.27	0.13	0.013	0.25	0.04	0.002
		P22 For customer problem, store shows a sincere interest in solving	0.71	0.29	0.33	0.169	0.02	0.24	-0.01
2	Employees' Service Ability	P19 Employees are consistently courteous with customers	0.17	0.75	0.29	0.105	0.03	0.18	0.137
		P15 Employees in this store give prompt service to customers	0.27	0.71	0.26	0.25	0.1	0.07	0.017
		P16 Employees in this store tell customers exactly when services will be performed	0.3	0.69	0.01	0.167	0.16	-0.2	0.002
		P8 This store provides its services at the time it promises to do so	0.2	0.64	0.25	-0.07	0.24	0.09	0.031
3	Personal Interaction	P17 Employees are never too busy to respond to customer's requests	0.09	0.17	0.82	0.065	0.05	-0.1	0.053
		P14 Customers feel safe in their transactions with this store	0.07	0.08	0.74	0.028	0.29	-0.2	-0.07
4	Customer Convenience	P4 The store has clean, attractive and convenient physical facilities	-0.16	0.42	-0.04	0.687	0.15	0.09	-0
		P24 This store offers high quality merchandise	0.03	0.36	0.14	0.68	0.01	-0.1	-0.12
		P26 This store has operating hours convenient to all their customers	0.29	-0.16	-0.11	0.641	0.08	-0.3	0.053
5	Store Interior and Layout	P6 The store layout makes it easier for customers to move around	0.03	0.11	0.09	0.101	0.82	0.05	0.108
		P1 The store has modern-looking equipment and fixtures	0.28	0.22	0.16	-0.02	0.62	0.22	-0.29
		P5 The store layout makes it easier for customers to find what they need	0.09	0.36	0.3	0.214	0.51	-0.1	0.155
		Extraction Method: Principal Component Analysis.							
		Rotation Method: Varimax with Kaiser Normalization.							
		a. Rotation converged in 14 iterations.							



## Factor Analysis – Store 2 (Spencers)

Rotated Component Matrix									
Factor No	Factor Name	Factor Description	Component						
			1	2	3	4	5	6	7
1	Keeping Promises	P21 Store willingly handles returns and exchanges	0.839	-0.071	0.118	0.011	0.123	-0.005	-0.044
		P23 Employees are able to handle customer complaints	0.808	0.088	0.149	0.089	0.077	0.113	0.008
		P7 When this store promises to do something, it will do so	0.713	0.039	0.22	0.107	0.156	0.138	-0.192
		P22 For customer problem, store shows a sincere interest in solving	0.703	0.24	0.072	0.186	0.307	-0.019	0.087
2	Creating Trust	P17 Employees are never too busy to respond to customer's requests	0.082	0.847	0.151	0.116	-0.025	-0.018	-0.041
		P14 Customers feel safe in their transactions with this store	-0.081	0.741	0.229	-0.062	-0.117	0.019	0.039
		P3 Materials associated with this store's service are visually appealing	0.081	0.689	0.156	0.124	0.321	0.102	-0.027
3	Employees Involvement	P19 Employees in this store are consistently courteous with customers	0.211	0.223	0.666	0.095	0.173	0.203	-0.057
		P12 Employees in the store have the knowledge to answer customers' questions	0.393	0.181	0.659	-0.177	0.102	-0.023	-0.043
		P18 This store gives customers individual attention	0.062	0.227	0.64	0.276	-0.062	0.135	-0.047
		P15 The employees in this store give prompt service to customers	0.354	0.186	0.566	0.203	0.136	0.067	0.225
4	Ensuring Quality	P9 This store performs the service right the first time	0.196	0.228	-0.062	0.659	-0.109	0.066	0.107
		P24 This store offers high quality merchandise	-0.055	0.077	0.182	0.651	0.074	0.029	0.066
		P26 This store has operating hours convenient to all their customers	0.199	-0.175	-0.045	0.595	0.234	-0.19	-0.12
		P11 This store insists on error-free sales transactions and records	0.396	0.105	0.285	0.591	-0.16	-0.033	0.021
5	Physical Evidence	P2 The store and its physical facilities are visually attractive	0.231	0.142	0.209	-0.083	0.717	-0.072	-0.036
		P4 The store has clean, attractive and convenient physical facilities	0.203	0.012	-0.022	0.125	0.713	-0.023	-0.06
		P1 The store has modern-looking equipment and fixtures	0.162	0.104	0.274	0.123	0.567	0.357	0.316
Extraction Method: Principal Component Analysis.									
Rotation Method: Varimax with Kaiser Normalization.									
a. Rotation converged in 10 iterations.									

**Customers Expected Retail Service Quality Dimensions**

	Location	
Factor No	Factors – Kannan Departmental Store	Factors – Spencers
1	Customers' Problem Solving Ability	Keeping Promises
2	Employees' Service Ability	Creating Trust
3	Personal Interaction	Employees' Involvement
4	Customer Convenience	Ensuring Quality
5	Store Interior and Layout	Physical Evidence

The Exploratory factor analysis indicates that the retail stores' service quality depends more on human factors. In both the retail stores service quality is determined by the stores' employee- customer relationship. Out of 5 factors influencing the Service quality, first 3 factors are based on employees' service ability and it shows that the service parameters are dominant in retail service quality setup also.

Since the retail environment consists of both goods and services, the retail store has to give equal importance to both products and providing better service in the store. The analysis shows that the service quality in a retail environment is a combination of both pure service and providing better products and is based on Stores' interior and layout.

### **CONCLUSION**

RSQ helps the retailers to detect most needed areas within the store and focus its resources on improving the service quality. Retailers applying multi-dimensional service quality scale developed and used internationally to South Indian retail settings need to understand the model factor structure and scale adaptation. Since the organized retail stores are growing in India, the focus should also on finding the customer preferences towards store, products, employee involvement, stores' perceived image in the minds of the customer.

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