Indian economy over the past 20 years had witnessed multinational companies’ considerable inroads into the Indian market. But many have failed to realize their potential and only few had succeeded in niche market and not achieved large-scale market leadership. For multinational companies, the key to reaching the next level will be learning to do business the Indian way, rather than simply imposing global business models and practices on the local market (McKinsey Quarterly Report March 2012).

International Monetary Fund (IMF) data showed that India’s gross domestic product in Purchasing Power Parity (PPP) terms stood at $4.46 trillion in 2011, marginally higher than Japan's $4.44 trillion, making it the third-biggest economy after the United States and China (The Economic Times, April 19, 2012). AT Kearney, the well-known international Management Consultancy identified India as the “second most attractive retail destination” globally from among 30 emerging markets (Source: The 2011 AT Kearney Global Retail Development Index).

Given the opportunity in the organized retail in India especially in South India, it was imperative that the retail stores should understand a method of evaluating the stores’ service quality. This research examined the applicability of retail service quality scale, especially how best the variables that measured the construct from the perspectives of retail consumers in South India.
1.2 RESEARCH BACKGROUND

One of the main areas of marketing research has been the study of service quality (Grapentine 1998). The increasing growth of service sector has drawn many academicians into the field of service quality, which provides varied thoughts of evaluating the service quality (Chowdhary and Prakash, 2007). There has been little agreement in the marketing literature on the conceptualization of service quality, which has led to disagreement about the best method to measure service quality (Brady and Cronin 2001). Service quality was difficult to conceptualize and measure because it was an elusive and abstract concept (Lee 2007), which made objectivity difficult (Karatepe et al 2005; Lin 2010). This was because of the basic characteristics of service: Intangibility, heterogeneity, inseparability and Perishability.

This research examined the retail service quality and the intent of this research was to understand the customers in emerging retail market like India and to test the applicability of marketing construct of retail service quality in South India.

As marketing concepts and practices continued to have a greater global perspective (De Burca Brown and Fletcher 2004), the significance of international research increases (Craig and Douglas 2001). A fundamental difference among the marketing practitioners should be the goal of international research and the main argument was to make the researchers concentrate on developing equivalent measurement across different countries or focus on a greater understanding of true cultural differences, and thus leading to measurement validity (Parasuraman and Yaprak 1987; Mullen, 1995).

The major contributions to service quality models have come from the American school and Nordic school (Brady and Cronin 2001), with the

Service quality research studies were conducted within a number of different industries, such as car service (Bouman and Van der Weile 1992), hospital care (Vandamme and Leunis 1993), countries including Taiwan (Imrie et al 2002), Singapore (Wirtz and Johnston 2003) and in different service settings; particularly retailing (Dabholkar et al 1996; Finn and Lamb 1991). Although the research contributions from the different marketing practitioners had led to the understanding of service quality models, majority of service quality research had been based on Western, particularly North American markets (Yaprak 2003).

Though the most prominent instrument for service quality measurement among researchers, practitioners and managers is SERVQUAL (Santouridis Trivellas and Reklitis 2009), the subsequent studies had questioned the application of pure service measures in retailing (Carman 1990; Finn and Lamb 1991). However in a retail shop, the added level of complexity created by the mix of merchandise and services made the customers evaluate service quality differently than in a pure service setting, which suggested the need to use a scale that was specific for store retailing (Vazquez et al 2001; Carman 1990; Dabholkar et al 1996). SERVQUAL was found to be unsuitable for measuring service quality in a retail shop (Dabholkar et al 1996; Mehta et al 2000; Siu and Cheung 2001; Kim and Jin 2002). Therefore, Dabholkar et al (1996) developed a Retail Service Quality Scale (RSQS) that was more appropriate for measuring service quality in a shop that sells products (Mattila 1999). The RSQS consists of 17 service quality attributes from the SERVQUAL scale and 11 new service quality parameters were added based on the research carried out by Dabholkar et al (1996).
According to Kumar et al (2009), scales that were developed for a specific country or context might not be suitable for another country or context because economic and socio-cultures might differ from country to country or even from sector to sector. The RSQS was developed in a Western country; therefore, it might not be suitable for measuring service quality in other countries (Imrie et al 2002; Gaur and Agrawal, 2006; Brent McKenzie, 2006).

1.3 RESEARCH OBJECTIVES, RESEARCH QUESTIONS AND RESEARCH ISSUES

1.3.1 Research Objectives

The objectives of the study were

Primary Objectives

1. To study the applicability of Western concept of Retail Service Quality Scale (RSQS) to Indian retail market

2. To study the validity of RSQS models in evaluating the retail service quality

Secondary Objectives

1. To study whether the five dimensional factor structure of RSQS was applicable to Indian retail market for evaluating the service quality

2. To investigate the association between retail service quality dimensions and overall service quality of a store

3. To study the difference between service quality dimensions by demographic information
1.3.2 Research Questions

The purpose of this research was to address the gaps in the knowledge of the service quality literature relevant to the retail sector. Based on this premise, the research question about “How do consumers perceive retail service quality in emerging markets like India?” needs to be answered.

This question had not been explored in detail in the literature and this research represents the fundamental testing of theoretical framework of the retail service quality construct within emerging retail market like India. If consumers in emerging retail markets perceive and interpret the dimensions that represent service quality in a different way from consumers within developed economies, then in order to answer the research question, a number of research issues need to be explored. A study on each research issue will build a greater understanding of subsequent research issues, and when taken as a whole it leads to an answer to the research question.

1.3.3 Research Issues

Research Issue One, examined the applicability of retail service quality in an emerging country like India. Thus, the aim of the first research issue was to establish the broad similarities and differences between how the existing models and measures of retail service quality extended to emerging retail market like India.

Research Issue two attempted to understand how to operationalize the retail service quality construct (Dabholkar et al 1996; Kim and Jin 2002). What dimensions, or factors, best measure the retail service quality construct in India? What scale items should be used in developing measures of retail service quality? These questions need to be answered from a non-western, emerging economy perspective.
Based on the review of literature and in order to meet the objectives of this study, the following research questions have been formulated:

**Will the western concept of Retail Service Quality Scale (RSQS) be applicable to Indian retail market particularly in South India?**

**How far the RSQS models have the validity in evaluating the retail service quality?**

Based on the main research questions, the following supporting issues emerged to answer the overall research questions.

**Is the five dimensional factor structure of RSQS applicable to South Indian retail market for evaluating the service quality?**

**Is there an association between retail service quality dimensions and overall service quality of a store?**

**Is there a difference between service quality dimensions by demographic information?**

### 1.3.4 Summary of Research Hypotheses

Hypotheses were formulated to answer the research questions and the summary of the hypotheses formulated were given below and a complete description can be found at the end of chapter 4.

**Hypothesis 1**

The retail service quality construct in India was best represented by a five factor structure- RSQS five dimensional model (five basic dimensions of retail service quality as first – order factors).
Hypothesis 2

The retail service quality construct in India was best represented by a five factor structure – RSQS Second Order Factor of the Five Basic Dimensions.

Hypothesis 3

The retail service quality construct in India was best represented by a Six Sub-Dimensions of Retail Service Quality as First-Order Factors.

Hypothesis 4

The retail service quality construct in India was best represented by a Six Sub-Dimensions of Retail Service Quality with corresponding dimensions as Second–Order Factors.

Hypothesis 5

Physical Aspects measures were positively related to the retail service quality in India.

Hypothesis 6

Reliability measures are positively related to the retail service quality in India.

Hypothesis 7

Personal Interaction measures were positively related to the retail service quality in India.
Hypothesis 8

Problem Solving measures were positively related to the retail service quality in India.

Hypothesis 9

Policy measures were positively related to the retail service quality in India.

Hypothesis 10

As a whole the retail service quality dimensions were positively related to customer satisfaction.

1.4 JUSTIFICATION FOR THIS RESEARCH

The research was based on two justifications which formed the fundamental research issue and facilitated the progress of the study. The first justification was on the basis of growing retail markets in India and the growth of organized retail market in particular. As per AT Kearney’s study on global retail trends, India was the least competitive as well as least saturated retail market among all the global retail market. India had one of the largest numbers of retail outlets in the world.

The sector was experiencing exponential growth, with retail development taking place not just in major cities and metros, but also in Tier-II and Tier-III cities. India’s growing population and urbanization offered a huge market for organized retail outlets. Increasing economic prosperity and change in consumption pattern drives the retail demand. The retail sector in India was emerging as one of the largest sectors in the economy, with total market size of US$ 425 billion in 2010 (BEF January 16, 2012).
The BEF report further stated that the organised retail segment in India was expected to be 9 per cent of total retail market by 2015 and 20 per cent by 2020. India's grocery retail segment was the most attractive in the world. Hypermarkets would be the largest retail segment, accounting for 21 per cent of total retail space by 2013–14. India ranks fourth among the surveyed 30 countries in Global Retail Development Index and ranked sixth in the 2011 Global Apparel Index. India's strong growth fundamentals along with increased urbanization and consumerism aided by the government’s approval on Foreign Direct Investment (FDI) in retail have provided greater scope for multinational retail brands in India.

As the retail sector occupied the second largest employer position in India, the understanding of retail service quality concepts in Indian market was the need of the hour.

The second justification of this research came from the fact that there was limited replication studies testing the reliability and validity of the retail service quality scale attempted in India particularly in South India and the validity of Dabholkar et al. (1996) retail service quality model should be assessed in South Indian retail market. This research further provided a complete understanding of the retail service quality scale and the construct and defined the relevant factors of the construct within a market that had not previously been successfully studied in this field. The replication study of the retail service quality scale (RSQS) model will provide a better understanding of the adoptability of a western concept in South Indian retail market.

The Government of India has reviewed the extant policy on FDI and decided to permit FDI, up to 51%, under the Government route, in Multi-Brand Retail Trading (Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Press Note No.5, 2012 Series)
Some differences addressed during the acceptance of FDI policy in multi-brand retail are:

- Consumer Affairs Ministry demands a larger share of 75% of FDI investment to be invested in back-end supply chains (Source: NDTV, 30 June 2011)
- Fear of small traders hindering large-scale retail vis-à-vis food inflation (Source: NDTV, 30 June, 2011)
- Consensus was now emerging that at least all the state capitals be covered, if not cities with over 1 million people (Source: Business Standard, 1 August, 2011)
- Industry Ministry proposed that multi-brand retail giants may be allowed only in large cities, which have a population of over 1 million (Source: NDTV, 30 June, 2011)
- Consumer Affairs Ministry insisting on FDI cap of 49% in the sensitive sectors (Source: NDTV, 30 June, 2011)

The research findings of this research, using South India, are expected to provide significant information to both foreign retailers looking at expanding operations in India, as well as to domestic retailers who would have had less expertise in retail service quality research.

1.5 SIGNIFICANCE OF THIS STUDY

The retail service quality research undertaken in India, particularly in TamilNadu was limited or non-existent. From a research standpoint, the present study was more important because it evaluated the applicability of a western concept in South Indian market and validates its usefulness in retail service quality measurement. This study also tested the relationship between retail service quality dimensions and their impact on overall retail service
quality. This research was significant in many ways because the previous studies had been conducted predominantly in Western countries and had rarely included South Indian retail market.

There were many studies that explore the service quality dimensions affecting the service quality in retail stores in India, but only few studies had investigated the applicability of retail service quality scale (RSQS) in India.

The retail service quality in India was still under researched, and in particular the applicability of Retail Service Quality Scale (RSQS) model (Subhashini Kaul, 2005). Retail service quality in developing countries was different from retail service quality in developed countries which makes the comparison, a difficult task because research in developing countries need time to reach the standards of developed countries (Merrilees et al 2007). Since the research in retail service quality was limited in India, the motivation to carry out the research in the unknown area was high. To the knowledge of the researcher, there were no studies on validating retail service quality scale (RSQS) in the Coimbatore region and this motivated the researcher to explore an area with limited empirical research in a region that would benefit greatly for the research in the area of retail service quality. The applicability of retail service quality scale in the region will give the right tool for the researcher and the retail practitioners to measure the retail service quality scale.

1.6 STRUCTURAL CONTENT OF THE DISSERTATION

This dissertation consisted of six chapters and the chapters were given below.

The sequencing of the chapters follow a logical flow of discussion and provided support in the form of research background, literature review,
conceptual model development, research framework, research design, research data analysis and findings and contribution to retail theory and practice.

Chapter One presented the background of the research, as well as the research questions and objectives of the research. The main research issues were identified and the significance of the research was also explained. This study was unique in many ways because it was conducted in a region where the retail service quality studies are few and this research was said to be the first replication study of retail service quality scale (RSQS) in the Coimbatore and Erode region.

Chapter Two, the literature review synthesized the relevant literature in the three domains of the study. The three domains – service quality measurement models, retail service quality scale and the replication studies involving the RSQS – provide the content for the research. The literature was reviewed from the point of view of India and in general the applicability of the western concepts in India. Chapter 2 concluded with the summary of the three domains and highlighted the gaps in the literature to be addressed in the remaining chapters.

Chapter Three developed the framework for the research issues and how the research questions were to be answered. Based on the literature work of Chapter 2, a conceptual framework of the retail service quality scale was developed and the conceptual models’ key constructs were defined. The proposed conceptual model testing was also explained in detail for understanding the research steps.

Chapter Four discussed the salient points of the research design and the basis for the chosen research methods in the two research studies.
Chapter four also explained the sample size determination and the statistical tools used in the research study.

Chapter Five presented the data analysis and interpretation and the findings of the study. Chapter Six explained the findings from the theoretical and practical contributions to knowledge as discussed in Chapter 2 and also addressed the findings on the basis of the research issues and research questions formulated in Chapter 3. Chapter 6 also discussed how the research questions were answered, and the implications for future study. As supporting evidence to the dissertation, the relevant materials were included in the form of references and appendices.