CHAPTER - 1
INTRODUCTION AND DESIGN OF THE STUDY

“The secret of successful retailing is to give your customers what they want. And really, if you think about it from your point of view as a customer, you want everything: a wide assortment of good-quality merchandise; the lowest possible prices; guaranteed satisfaction with what you buy; friendly, knowledgeable service; convenient hours; free parking; a pleasant shopping experience”.

-Sam Walton (1918-1992)

1.1. INTRODUCTION

Retailing is the most prominent element of marketing where the marketer meets the ultimate consumer who exchanges value for the product and thus sanctions the very existence of business. Retailer is the last link in the distribution chain and his efforts to create demand and satisfy needs pave the way for the economic activity. Retailing is a business, easy to enter, with comparatively low capital and infrastructural requirements.

The Indian retail industry is the fifth largest in the world comprising organized and unorganized sectors. Retail industry is one of the fastest growing industries in India, especially over the last few years. The retail enterprises in India numbered over 8.5 million in 1996, 9.3 million in 2000, 12 million in 2003 and 15 million in 2005. The volume of retail turnover is estimated as Rs. 4
lakh crores a year and it constitutes 10 percent of the GDP. The industry constitutes 16 percent, 15 percent, 12 percent and 7 percent of the economy in US, Brazil, Poland and China respectively\(^1\). Retailing is a labour-intensive industry which serves to be the second largest source of employment and the job market is hugely receptive to retailing expertise as more and more B schools are now focusing on this sector and large retailers are setting up retail academies. Over 4 crore people are employed in the retail sector which constitutes 8 per cent of the total employment in India.

In India, initially, most of the retail industries were unorganized; however, with the change of tastes and preferences of the consumers, these industries have gained momentum and are getting more popular and organized now-a-days. With growing market demand, the industry is expected to grow at a pace of 25-30 percent annually. The Indian retail industry was expected to grow from Rs. 35,000 crore in 2004-05 to Rs. 1,09,000 crore by the year 2010.

According to the 8\(^{th}\) Annual Global Retail Development Index (GRDI) of AT Keavney, Indian retail industry is the most promising, emerging market for investment. In 2007, the retail trade in India had a share of 8-10 percent in the GDP (Gross

Domestic Product) of the country. In 2009 it rose to 12 percent. It is also expected to reach 22 percent by 2010\(^2\).

The Indian retail industry is expected to grow to US$ 700 billion by 2010, US$ 833 billion by 2013 and US$ 1.3 trillion by the year 2018 at a CAGR (Compound Annual Growth Rate) of 10 percent event. At the same time the organized sector will be 20 percent of the total market share. It can be mentioned here that, the share of organized sector in 2007 was 7.5 percent of the total retail market. Pantallon, Tata group, RPG group, Reliance, AV Birla Group are some of the major retailers in India\(^3\).

I.2 THE VARIOUS RETAIL FORMS IN INDIA

a. **Mom and pop stores:** Family owned business catering to small sections, which are individually handled as retail outlets.

b. **Departmental stores:** Stores in which general retail merchandisers offer quality products and services.

c. **Convenience stores:** These stores are located in residential areas with slightly higher-price goods on account of the convenience offered.

d. **Shopping malls:** Malls which offer customers a mix of all types of products and services including entertainment and

---


food under a single roof and serve to be the biggest form of retail outlet in India.

e. **E-trailers:** It provides online buying and selling of products and services.

f. **Discount stores:** Factory outlets that gives discount on the MRP.

g. **Vending:** Beverages, snacks and other small items can be bought via vending machine which is a relatively new entry in the retail sector.

h. **Category killers:** The speciality store that offer a variety of category and are known as category killers as they focus on specific categories such as electronics, sporting goods etc. This is also known as multi brand outlets.

i. **Speciality stores:** They are retail chains dealing in specific categories and provide a deep assortment of specific goods.

As per the statistics, India has experienced a high growth rate in the last four years, the consumers’ spending has claimed upto 75 percent and as a result the Indian retail industry is expected to grow further in the future days. By the year 2013, the organized sector is also expected to grow a CAGR of 40 percent⁴.

Since global competition had become acute, there was an entry of many multinational retail giants and there was a favourable climate for allowing foreign direct investment in the retail sector too. It had become a necessity on the part of the retailers of India to

---

reconsider their retail strategy whether they belong to the organized or the unorganized category. There were arguments in favour of and against allowing the foreign direct investment. Though, the government has taken no policy level decision to allow foreign direct investment, there is a strong lobby more in favour of allowing foreign direct investment. Till now foreign direct investment has been allowed indirectly through franchising arrangements. However a conducive atmosphere exists in favour of foreign direct investment that can be allowed in a phased manner like it happened in China.

The changing profile of Indian customers due to variation in pattern of life style, way of living and standard of living, demography, level of income, expenditure pattern and the influence of foreign culture demands dramatic changes in the strategies being adopted by retail stores. Even if there is no entry threat or flow of foreign direct investment, the foregoing reasons necessitate that unless retail stores whether the organized or the unorganized change their strategies, their survival will be doubtful in the long run. Further the corporate houses like Reliance has made a foray into retail sector besides others. Even such corporate houses have to evolve strategies, which would help them to earn a competitive edge among local as well as global competitors.

Though there is a threat from the global players, as of now, the retailers have to evolve strategies, which would help them internally to survive and succeed in today’s retail business
scenario. The current internal retail business system itself is fast changing as a result of varying profile of Indian customers and due to the threat from internal players of repute, such as Reliance, Spencer’s as well as the influx of FDI in the sector. As a result, the organized retailers have to evolve strategies which could ensure their success in the changing environment.

In view of the changing scenario, the changing strategies like store location, store layout, store exterior and interior atmospheres, merchandise and retail store service quality dimensions have become vital. However among all, retail store service quality dimensions such as tangibles, responsiveness, reliability, assurance and empathy have vital bearing on the success of the store. Further, what differentiates one store from another is the customer service that is service quality which ensures customer satisfaction.

Service sector is quite different from manufacturing sector. It directly deals with the customers and involves large volumes of transactions and paper work but very low amount is involved in transaction. There is no formal specification on the quality required and so the chances of making mistakes are more in the service sector. It is difficult to quantify the quality in this sector, as it is less tangible. Moreover, the expectation of the customer is dynamic and is not much strategically oriented and is focussed on a short term. Here the customer is directly involved in a service production process. He basically looks for quality in the aspect of reputation, accessibility, and communication as they cannot feel,
see, bear or smell a service before it is purchased. The influence of such aspects has greater influence on purchasing from a particular store.

1.3 SERVICE QUALITY

Service quality is a concept that has aroused considerable interest and debate in the literature because of the difficulties in both defining it and measuring it with no overall consensus emerging either.

There are a number of different “definitions” as to what is meant by service quality. One that is commonly used for service quality is the extent to which a service meets customers’ needs or expectations. Service quality can thus be defined as the difference between customer expectations of service and the customer experience. If expectations are greater than performance, then the perceived quality is less than the satisfaction level and hence customer dissatisfaction occurs.

Always there 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 higher standards for service delivery. The starting point in developing quality in services is analysis and measurement. The SERVQUAL approach, which is

---


applied in this research, is the most common method for measuring service quality.

By the 1990’s, service organizations were also beginning to understand what their manufacturing colleagues had discovered earlier that quality cannot be improved unless it is measured, and the best measure is the customer\(^7\).

**1.4 FIVE DIMENSIONS OF SERVICE QUALITY**

Parasuraman et al. (1988)\(^8\) devised the scale for measuring service quality on the basis of five-dimensions as follows.

- **Tangibles:** This dimension of service quality refers to those elements, which provides tangibles to the service and includes physical facilities, equipments of the service provider, dress and appearance of the service personnel.

- **Reliability:** This refers to the ability of the service provider to accurately perform the promised service of right quality goods at right prices.

- **Responsiveness:** It refers to the willingness of the service provider and his staff to provide assistance and prompt service to customers.

- **Assurance:** This refers to the ability of the service provider and his employees to use their knowledge and courteous

---


behaviour to instill trust and confidence in customers regarding the services rendered.

- **Empathy:** This refers to the care and concern shown to the customers and the capability of the firm to devote individualized attention to its customers.

### I.5 CUSTOMER SATISFACTION

Customer satisfaction is a critical issue in the success of any business system, traditional or online. In a turbulent commercial environment, in order to sustain the growth and market share, companies need to understand how to satisfy customers, since customer satisfaction is critical for establishing long term client relationships. It is evidenced by the fact that over the last five years, customer satisfaction surveys have become common in many financial institutions. Thus a fundamental understanding of factors impacting customer satisfaction is of great importance to business.

A few scholarly studies, to date, have been undertaken to identify quality dimensions and detailed aspects of services and their relationships with customer satisfaction. One of the more widely used instruments for assessing customer satisfaction is SERVQUAL developed by Zeithaml et al., (1988).\(^9\)

---


Achieving quality service in the eyes of the customer requires proactive organizational commitment. According to Berry et al., (1994) ‘service’ plays a key role in providing value and drives a company’s success. For the customer, this represents the benefits received against the burdens – like high price, an inconvenient location, unfriendly employees, or an unattractive service facility. Quality service helps to maximize the benefits and minimize such errors. Understanding customer expectations and measuring the organizations performance with regard to them are a central component of building service quality.

In today’s largely competitive market environment, departmental stores are increasingly realizing the need to focus on service quality as a measure to improve their competitive position. It is the element of customer service that plays a vital role to have competitive advantage. Good service or quality customer service includes politeness, responsiveness, promptness, care and commitment towards the customer and designing systems, procedures and responses with a view to make the customer feel secure, special and satisfied. Tom Peter, a famous American author of Corporate Management and Leadership books has quoted that “Listening to customers must become everyone’s business. With most competitors moving ever faster the race will go to those who listen and respond”. While this is true for all business, it has special relevance to retail; such a customer service quality is also
being reflected, in the form of or dimensions such as Tangibles, Reliability, Responsiveness, Assurance and Empathy.

Further, the service quality is situation-specific and largely defined subjectively and qualitatively by the customer. On the other hand, customer satisfaction is the total of the customer’s expression of the service quality. It is the degree to which the retailer conforms to the customers’ quality specifications that includes five factors such as tangibles, reliability, responsiveness, assurance and empathy. Hence, this study assesses the customers’ satisfaction towards service quality of the departmental stores on the basis of these five dimensions.

1.6 STATEMENT OF THE PROBLEM

The present study under the title, “Customer Satisfaction with regard to the Service Quality of Departmental Stores in Tiruchirappalli city” is an attempt to understand the various factors influencing the satisfaction level of the customers with regard to the various dimensions of service quality such as tangibles, reliability, responsiveness, assurance and empathy. A perfect parity between the services offered by sellers and the services expected by the buyers is vital to make the transaction smooth and hassle-free. So the services offered become an integral part of the marketing strategy of the firm. In this context it is imperative to make a study on the quality of service offered by departmental stores in Tiruchirappalli city and the present research work has tremendous
relevance to the sellers in formulating their marketing strategies in this regard.

1.7 SCOPE OF THE STUDY

This study covers the extent of customer satisfaction regarding various service dimensions rendered by the departmental stores in Tiruchirappalli city. In the prevailing globalized economic scenario the consumers have ample opportunities to select any shop for buying good quality products. In an acutely competitive atmosphere it is important and challenging for the retailers to attract the customers to sustain and to promote their business. Among the various aspects that build the rapport with the buyers and keep them in their fold, service quality is much more important than the technical or product quality. Hence the present study aims at bringing out the various aspects concerned with customer satisfaction which would surely serve a purpose for retailers to work out their service quality with regard to the various dimensions such as tangibles, reliability, responsiveness, assurance and empathy.

1.8 UNIQUENESS OF THE STUDY

Departmental stores deal with daily necessities of consumable stores and people from every walk of life visit these stores regularly to make their purchases. Unless the services rendered by these stores match with their expectations, the customers will be dispelled on the one hand and the shops concerned would lose their business on the other hand. Hence there arises the need to assess
the level of satisfaction obtained by the customers and the services rendered by these stores. The present study is a boon to both parties as it analyses both these aspects and suggests policies to make amends by the shops wherever necessary.

1.9 OBJECTIVES OF THE STUDY

This study was designed with the following objectives:

1. To identify the general profile and the buying habit of the customers of departmental stores in Tiruchirappalli city.

2. To examine the expectations of the customers from the departmental stores and find out how far they are satisfied.

3. To enquire into the various dimensions of service quality rendered by these departmental stores.

4. To measure the satisfaction level of the customer with regard to the various dimensions of service and to rank them.

5. To suggest suitable measures to augment the service quality of the departmental stores.

1.10 HYPOTHESES TESTED

The following hypotheses were formulated and tested.

1. Satisfaction level in each of the five dimensions varies with the age group of the respondents.

2. Higher the satisfaction level higher is the frequency of visit.

3. Higher the income, higher the satisfaction level of shoppers in the departmental stores.

4. Satisfaction level varies with the amount spent on purchase.
5. Satisfaction level varies with the persons/media through which the respondents got introduced to the shop.

6. The level of satisfaction in each of the dimensions varies with the respondent’s reason for selecting a particular shop.

I.11 REVIEW OF LITERATURE

According to Thomas, Dan R. E., (1978)\textsuperscript{11}, service differentiation is necessary for the growth and development of service businesses. Chase, Richard B, (1981) holds that the potential efficiency of a service system is a function of the degree of customer contact entailed in the creation of the service product.

Parkington & Schneider (1979), Schneider & Bowen (1985, 1993)\textsuperscript{12} have shown that when employees in their view have a different service orientation from the orientation adopted by the management, the former suffer from low level of satisfaction, a strong intention to leave their jobs, high levels of frustration and the sensation that customers have a poor opinion of the service quality provided by the firm. In turn, Schneider et.al, (1980)\textsuperscript{13} suggested that customers’ attitudes towards service quality are strongly related to the employees’ view about the service received by the customers.


Shostack, G. Lynn, (1984)\textsuperscript{14} has assumed that good service is a function of the particular style of an entrepreneur or business and that it cannot be quantitatively analyzed. It has been suggested that alternative methods of delivery should be examined and means of highlighting tangible evidence of the service for consumers should be identified. The service should make customers feel special, requiring training and performance standards which stress on courtesy and credibility.

Singh, Jagdip, D.B.A.,(1985)\textsuperscript{15} attempted to explain a component of the post-purchase phenomenon, in particular, the consumer complaint process which is triggered by perceived dissatisfaction with a purchase. The study resulted in realizing the relative importance of cognitive or expectancy value judgments.

Shostack, G. Lynn,(1987)\textsuperscript{16} stated that, shifts in overall complexity or divergence or the introduction of new process designs must be implemented with a clear understanding of the potential impact on the means by which the services are rendered.

Brown & Swartz (1989)\textsuperscript{17} stated that when a service is provided, the personal relationship established between employees and customers will be extremely important for determining the


service quality. In turn, the perception of the quality offered by the organization on the part of the employee has an impact on the real quality offered.

Roth, Aleda V., Van der Velde, Marjolijn,(1991)\(^{18}\) stated that to make a service delivery system a potential marketing tool, critical success factor criteria must be based on the explicit service task or mission that coincides with a service operations strategy.

Berry, Leonard L., Parasuraman, A., (1992)\(^{19}\) suggests that the service revolution must occur on two levels: 1) a basic change in attitude and a raising of aspirations for service quality, and 2) implementation of the culture and tools that make quality improvement a habit.

Zeithmal, Valarie A, Berry, Leonard L, Parasuraman, A, (1993)\(^{20}\) developed a conceptual model for customer service expectations based on 16 focused group interviews with customers of various service industries. The model states the distinction between customer satisfaction and service quality assessment within a single framework by specifying three different levels of customer expectations that is, desired service, which reflects what customers want, adequate service, the standard that customers are willing to

---


accept, and predicted service, the level of service customers believe is likely to occur.

Parasuraman, A, Zeithmal, Valarie A, Berry, Leonard L., (1994)\(^{21}\) state that the increasing use of SERVQUAL has been accompanied by an ongoing debate about the need for SERVQUAL's expectations component, the interpretation and operationalization of expectations, the psychometric soundness of SERVQUAL's difference-score formulation and the number of dimensions represented by SERVQUAL's items. They found that managers can obtain a truer assessment of service quality by comparing perceptions against expectations than by interpreting perceptions alone.

Daniel L. Sherwell & Abhijt Biswas (1995)\(^{22}\) predicted that consumers believe in a price-quality relationship for search-based services but not necessarily for professional services that possess high credence properties.

L.W. Turley & Scott W. Kelley (1995)\(^{23}\) indicated that price and awareness interact in the formation of perceived service quality evaluations. In high awareness conditions, price is used as a cue to

---


quality, but the price-quality relationship does not hold in low awareness situations.

Raj Arora & Carol H. Anderson (1995)\textsuperscript{24} addressed the important issue of service quality and customer satisfaction in the highly competitive Property and Casualty (P & C) insurance industry. He suggested that consistent delivery of high quality service is imperative to retain customers and that the customers’ loyalty towards the company is short lived at best.

McLaughlin, Curtis P., Fitzsimmons, James A., (1996)\textsuperscript{25} suggested that service managers can no longer ignore the international competition in services, especially the globalization of back room operations. A service manager needs a framework to develop strategies to compete in the global market of services.

Christo Boshoff and Madele Tait (1996)\textsuperscript{26}, stresses the importance of frontline employees in service delivery. The high levels of internal service quality (good service between departments and divisions) lead to higher levels of employee satisfaction. The happier employees are, the more likely they are to stay and better is their productivity. These two factors combine to provide better


levels of service to customers, creating higher levels of satisfaction and higher levels of loyalty.

Robert Johnston, Janelle Heineke, (1998)\textsuperscript{27} suggested that to understand and explore the relationship between service performance and customer perceptions of that service performance, managers need to assess the quality functions associated with four types of quality factors to help them identify priorities for action and gain the best perceived outcome from their quality improvement activities.

Soteriou, Andreas C, Chase, Richard B, (1998)\textsuperscript{28} derived an operational measure of linking the customer contact dimensions of communication time and intimacy with perceived service quality.

Mark M. Davis and Janelle Heineke, (1998)\textsuperscript{29} analyzed the results to the confirmation approach and perception approach in measuring satisfaction with waiting for service.

Amy Wong Ooi Mei, Alison M. Dean, Christopher J. White (1999)\textsuperscript{30}, examine the dimensions of service quality in the hospitality industry by extending the SERVQUAL scale to include eight new items that specifically pertain to the hospitality industry.

\textsuperscript{30} Amy Wong Ooi Mei, Alison M. Dean, Christopher J. White (1999), “Analysing service quality in the hospitality industry” Managing Service Quality, Volume:9, Issue:2, pp.136-143.
subsequently referred to as HOLSERV. Key findings of the study are that service quality is represented by three dimensions in the hospitality industry, relating to employees (behaviour and appearance), tangibles and reliability and the best predictor of overall service quality is the dimensions referred to as “employees”. The findings also show that the one-column format questionnaire provides a valid and reliable, but much shorter, survey.

Pita Castelo, Jose, Dr., (2000)\(^{31}\) says that customer loyalty, customer satisfaction/dissatisfaction (CS/D) and Service Quality (SQ) are some of the most substantial concepts in marketing. Financial services and especially retail shops have unique characteristics which make them operationally different from manufacturing business or other services. The main objective of this research is an empirical test, for the first time, of the relationship between CS/D and SQ, and the impact of a new variable (usage rate) on customer loyalty in the context of retail shop.

Shainesh, G (MDI, Gurgaon), Mukul Mathur (Central Railway, Nagpur, 2000)\(^{32}\) identified the attributes which customers use to evaluate the quality of railway freight services and developed a comprehensive instrument, RAILQUAL, that can be used by the


railways for collecting feedback from customers which would help them monitor, control and improve their services and competitiveness. It can also be used as an evaluation tool for comparing the performance of its zones and divisions.

Gabbott Mark (2000)\(^{33}\) quotes several psychological studies which show that non-verbal behaviour by the service provider affects service evaluation, because the quality of interaction between the customer and the service provider influences the customers’ perception of service quality.

Martin A. O’Neill, Paul Williams, Martin MacCarthy, Ronald Groves (2000)\(^{34}\), seeks to investigate the conceptualization and measurement of service quality and its importance to the dive in tourism industry. It reports the findings from a recently conducted study on dive tourist perceptions of service quality by relating to a tour operator running tours on an artificial reef dive experience in Western Australia. The study also assesses the importance assigned to the consumers to the various service quality attributes relative to those perceptions.

Macro Antonio Robledo (2001)\(^{35}\) depicts that the pressures driving successful organizations toward top quality services make


the measurement of service quality and its subsequent management of overall importance. The study compares four different methods for measuring service quality within an airline setting. Six instruments are used to measure the service of three international airline companies. The dimensionality of quality in airlines is explored and three factors appear as determinants: tangibility, reliability, and customer care.

Domingo Ribeiro Soriano (2001)\(^{36}\) has explained in his paper about the importance of the work of external consultants in firms. The study deals with the analysis of external advice within small to medium–sized enterprises. It tries to reflect the actual importance of external advice sought by firms in trying to reach the highest possible level of client satisfaction.

L. Ritchie (2002)\(^{37}\) accesses the role of the NHS’s new quality initiative named “clinical governance”, in introducing change and monitoring clinical and trust performance to improve the quality of service. An examination is made into continuous improvement methodology and quality tools, as a means to improve service delivery through this newly developed framework. The paper comments on the effectiveness of clinical governance as an approach to manage quality in the NHS in view of the increased

---


public demand for clinical accountability and efficient service delivery as stated in the NHS plan.

Clare Chow-Chua, Raj Komaran (2002), presents a simple methodology for managing service quality that takes into joint consideration of what customers expect to receive and what the service provider can offer. A four-step procedure explains the derivation of the customer-service provider matrix (CSM). Customer feedback and data on an international coffee outlet are employed to demonstrate the application of the CSM as a visual tool. Two versions of the CSM matrix are developed; one with raw data and another with an illustrative weighting procedure. Service providers can prioritize and re-allocate resources to increase the levels of the attributes of service quality that would be valued by customers.

Gi-Du Kang, Jeffrey Jame, Kostas Alexandris (2002) depicts that a critical component of internal marketing is the provision of internal service quality. While researchers have conducted studies of internal service quality, there has been no general agreement on the measurement of the concept. Researchers have not, however, demonstrated that the instrument can be reasonably modified to measure internal service quality.

38 Clare Chow-Chua, Raj Komaran (2002), “Managing service quality by combining voice of the service provider and voice of their customers” Managing Service Quality, Volume: 12, Issue:2, pp.77-86.
Parasuraman (2002)\textsuperscript{40} observed in his article that companies delivering services must broaden their examination of productivity from the conventional company oriented perspective to a dual company-customer perspective. This broadened approach can help reconcile conflicts – the leverage synergies – between improving service quality and boosting service productivity. This article proposed a conceptual framework for understanding the interlinkages among service quality and the various components of the company-customer perspective of productivity and discusses the implications of the framework for service executives and researchers.

Alison M. Dean (2002)\textsuperscript{41} depicted that there is a focus on efficiency at the expense of effectiveness, where effectiveness is indicated by characteristics such as customer orientation, service priorities and quality. It therefore appears that customers will expect and experience low levels of service quality from call centres, with possible implications for their loyalty to the providing organization. These issues are the focus of this study. Key findings are similar for the two samples. Both perceptions of quality and customer orientation of all the call centres were related to loyalty shown to the providing organization to loyalty, and perceptions of quality partially mediated the customer orientation relationship.

William E Jackson III, Purushottaman Nandakumar, Aleda V Roth, 2003)\textsuperscript{42} suggest that the optional level of service quality depends critically on the competitive structure of the market, the degree of demand and the ease of imitation of competitors' service quality innovations.

Douglas M Stewart, (2003)\textsuperscript{43} introduces a framework based on the three T's of task, treatment, and tangibles as a means of organizing the application of the diverse and growing body of service quality literature to encounter design.

Amy Wong, Amrik Sohal (2003)\textsuperscript{44} examined in their study that the relationship between the dimensions of service quality and customer loyalty in a retail chain departmental store setting in Victoria, Australia. The results showed that service quality is positively associated with customer loyalty and that the most significant predictor of customer loyalty in the city retail district is empathy, while the most significant predictor of customer loyalty in the country retail district is tangibles.

Byron Keating, Robert Rugimbana, Ali Quazi (2003)\textsuperscript{45} explore and define two related constructs – service quality and relationship


\textsuperscript{44} Amy Wong, Amrik Sohal, “Assessing customer-salesperson interactions in a retail chain” differences between city and country retail districts, Marketing Intelligence & Planning, 2003, Vol.21, Issue: 5, pp.292-304.

quality – to ascertain whether consumers can meaningfully distinguish between the constructs. The paper finds that, although service quality and relationship quality are distinct constructs, they overlap in the area of personal interaction and problem solving.

Kim, Jongback (2003)\textsuperscript{46} in their study have related severe competition and sophisticated consumer expectations to integrated service quality in the Internet golf store business. The major findings are (i) their proposed theoretical framework of integrated service quality for the Internet golf stores was confirmed; (ii) all proposed measurement models for service quality, information quality, system quality and integrated service quality were confirmed; (iii) consumer satisfaction was directly influenced by integrated service quality and price; (iv) Internet searching and / or purchasing intention was indirectly satisfaction; and (v) consumer satisfaction directly influenced Internet searching and / or purchasing intention.

Emin Babakus, Carol C Bienstock, James R Van Scotter (2004)\textsuperscript{47} wherein the effects of perceived merchandise and service quality, relative to competition, on retail store performance are investigated using store traffic and revenue growth as outcome variables. Results suggest that both the service and the merchandise quality exert significant influence on store performance, measured

\textsuperscript{46} Kim, Jongback “A multidimensional and hierarchical model of integrated service quality for the Internet golf stores” The Florida State University, 2003, p.205.
by sales growth and customer growth and their impact is mediated by customer satisfaction.

Goran Svensson (2004)\textsuperscript{48} depicts in his paper that the performance of services is done at an operative level and service is an important issue for the strategic, tactical and operative business activities of automobiles companies. The major contributions of the research provide an on-the-spot account of interactive service quality. The paper provides theoretical and managerial implications of the construct of interactive service quality in service encounters.

Gi-Du Kang, Jeffrey, James (2004)\textsuperscript{49}, state that the service quality researchers till date have paid scant attention to the issue of the dimensions of service quality. Much of the earlier work had accepted the content measured by the SERVQUAL instrument. The results from a cell phone service sample revealed that Gronroos’ model is a more appropriate representation of service quality than the American perspective with its limited concentration on the dimension of functional quality.

Christopher A Voss, Aleda V Roth, Eve D Rosenzweig, Kate Blackmon, Richard B Chase (2004)\textsuperscript{50} compare the influence of service quality on customer satisfaction in the United Kingdom and


the United States and consider the moderating effect of systematic customer feedback and complaint processes. The authors propose that customer feedback is an often-overlooked factor in explaining the relationship between service quality and customer satisfaction. Much valuable customer feedback may be unrealized in Britain, thus losing the opportunity to improve service design and delivery and creating a vicious cycle. Without intervention, British service firms will continue to deliver levels of service lower than would be acceptable in the United States.

Atul Gupta, Jason C. McDaniel, S. Kanthi Hearth (2005)\textsuperscript{51} had proposed a conceptual model that can be used in understanding the relationship between sustaining structures that support the total quality service (TQS) philosophy and customer satisfaction. This paper developed a model for understanding the interactions between customer satisfaction and sustaining structures and also it provides an important conceptual framework for evaluating the relationships between customer satisfaction and sustaining structures.

Halil Nadiri, Kashif Hussain (2005)\textsuperscript{52} describe the zone of tolerance for customers’ service expectations and determine the customer satisfaction level in Northern Cyprus hotels. The findings reveal that the customers visiting Northern Cyprus hotels have a


narrow zone of tolerance in services provided by the hotels. The results with respect to gap analysis reveal that there was a short fall in the service quality provided by the hotels in the sample, with the largest gap being found in intangibles.

Bo Edvardsson (2005)\(^{53}\), has contributed to widen the scope of service quality by focusing on dimensions beyond cognitive assessment. The focus is on the role of customers’ emotions in service experiences. The paper presents six propositions related to service experiences when consuming services and the role of emotions in customer-perceived service quality.

Naceur Jabnoun, Aisha Juma Al Rasasi (2005)\(^{54}\) have worked out the relationship between transformational leadership and service quality in UAE hospitals. Service quality was found to be positively related to all dimensions of transformational leadership and the transactional leadership dimensions of contingent reward. It provides important guidelines for managers on the dimensions of leadership that are to be enhanced in order to improve service quality.

Lukas P Forbes, Scott W Kelley, K. Douglas Hoffman (2005)\(^{55}\) reveal that e-trail firms employ a different series of recovery strategies relative to traditional retail settings; and post-

recovery switching by e-trail customers can be high even with satisfying experiences. This paper strengthens the existing failure and recovery literature by presenting data on the largest growing sector of the service industry.

Boo Ho Voon (2006)\textsuperscript{56} conducted a study and the research was to empirically develop a service – driven market orientation construct and test its relationships with service quality. The results show that the service – driven market orientation (SERVMO) that consists of six components (customer orientation, competitor orientation, inter-functional orientation, performance orientation, long-term orientation and employee orientation) has a significantly strong and positive relationship with service quality.

Marie Mikie Little, Alison M. Dean (2006)\textsuperscript{57} this study has demonstrated that the service climate in an organization, as perceived by employees, is positively related to service quality, as perceived by customers. The findings indicate that the service climate in a call centre affects employees, both in terms of their commitment and their self-reported feelings about the delivery of service quality to customers.


\textsuperscript{57} Marie Mikie Little, Alison M. Dean, “Links between service climate, employee commitment and employees’ service quality capability” Managing Service Quality, 2006, Volume: 16, Issue: 5, pp.460- 476.
Brent McKenzie (2006) in his paper on “Retail service quality success factors in Estonia: A qualitative Approach”, reveals that the findings are limited within the potentially confounding effects of other consumer specific shopping variables. Within Estonia, there is a need for a greater understanding of retail consumer behaviour theory and practice, rather than mere consumer data gathering.

J. Mark Munoz, Peter Raven, Dianne, H.B Welsh (2006), examine small/medium enterprises (SMEs) management and employee perceptions of customer service on a number of dimensions. The result suggests that managers and employees in the Philippines behave in similar ways to those in Western countries, but there are differences, probably related to cultural characteristics.

Lauren M. Trabold, Gregory R Heim, Joy M Field (2006) examine industrial sectors separately to distinguish drivers associated with overall satisfaction for the online consumers in those sectors. The paper uses ridge regression to examine how e-service quality dimensions are associated with overall customer satisfaction for several e-retailing sectors.

Siohong Tih, Sean Ennis (2006)\(^{61}\), in his paper seek to compare the perceived service performance across Internet retailer with respect to several areas. The Internet retailers are two budget airline retailers, a book retailer and a multi-channel bank. Internet retailers’ service performance was generally at an acceptable level. The variation of their online service performance was dependent on industry factor and the effectiveness of online service management. Consumer’s perceptions of the Internet retailers’ performance were significantly different on several service attributes. However, consumer online service satisfaction levels across retailers were similar.

Amy Wong Lianxi Zhou (2006)\(^{62}\) deals with the service quality and customer satisfaction as determinants of relationship quality. It explains the impact of relationship quality on key relational outcomes (customer loyalty and customer commitment). The findings suggest that the inclusion of the relationship quality construct in the service quality-satisfaction model can further enhance the predictive value of service quality and customer satisfaction.


Donelda S. McKechnie, Jim Grant, Vishal Bagaria (2007)\textsuperscript{63}, consolidate the observations of listening actions displayed by service providers when interacting with customers in retail establishments. The study contributes to knowledge about non-verbal communication within service encounters. Implications for management include: determining the optimum frequency and occurrence of listening activities; and training to service providers accordingly.

Wen-jang (Keny) Jih, Su-fang lee, Yuan-cheng Tsai (2007)\textsuperscript{64}, the convergence of computer, communications, and consumer electronics (3Cs) technologies, catalysed by advancement of protocol standards, has forced three previously separate retailing industries to integrate their business operations, such as consolidation of retail outlets. Three findings are revealed: (1) Service quality significantly impacts trust and trust significantly impacts relationship commitment; (2) Service quality impacts relationship commitment indirectly through trust; and (3) Shared value significantly impacts both trust and relationship commitment.

Nimit Chowdhary, Monika Prakash (2007)\textsuperscript{65}, the study was undertaken with a purpose to investigate whether generalization in importance of service quality dimensions is possible. Service


\textsuperscript{64} Wen-jang (Kenny Jih, Su-fang lee, Yuan-cheng tsai, “Effects of service quality and shared value on trust and commitment: an empirical study of 3cs product customers in Taiwan”, International Journal of Business Studies, 2007, Vol. 15, Issue.2; p.8

providers are often not sure of the amount of tangibilization necessary and the right mix of other service quality dimensions—reliability, assurance, empathy, responsiveness and the role of price added by the researcher.

Riadh Ladhari (2008)\textsuperscript{66} in his paper identifies and discusses the key conceptual and empirical issues that should be considered in the development of alternative industry-specific measurement scales of service quality (other than SERVQUAL). The study identifies deficiencies in some of the alternative service-quality measures; however, the identified deficiencies do not invalidate the essential usefulness of the scales. The study makes constructive suggestions for the development of future scales.

According to Alok Goel and Seema Erum (2010)\textsuperscript{67}, customer satisfaction and service quality measurement practices in call centers in India have emerged as a leading player in the global business process outsourcing industry. The findings of the study indicate that it is imperative for call center managers to develop systematic and comprehensive measurement of perceived service quality in order to provide superior call center experience to their customers.


1.12 METHODOLOGY USED

The present study is empirical in nature, based on the primary data collected from the study area. Known theories and models were applied in drafting and formulating the questionnaire. A detailed account of the methodology employed in the process of data collection and analysis are given below.

1.12.1 Universe of the study and the Sample scheme

For the present study, the universe comprises of the customers who buy FMCG (Fast Moving Consumer Goods) in departmental stores in Tiruchirappalli city which includes 10 geographical divisions, according to the information provided by the Sales Tax office, Tiruchirappalli.

A two stage sampling was adopted to arrive at the sample respondents. In the first stage of sampling, two departmental stores each from the 10 divisions were selected at random, based on the following criteria:

1. Plinth area of the store.
2. The product mix of the departmental store which includes product line, length, width and depth.
3. Number of customers who visit the store.

Those shops which served a comparatively large number of customers with sufficiently large plinth area and also provide sufficient product mix were selected for the study.
In the second stage of sampling, the researcher contacted 30 customers at random from each store, and their opinions were extracted based on their responses to the questionnaire which was issued to the frequent visitors to the selected departmental stores during week ends. The following table reflects the entire set of sampling.

**Table 1.1**

**Sample - Scheme**

<table>
<thead>
<tr>
<th>City division</th>
<th>No of stores selected at random</th>
<th>No of sample customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>6</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>7</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>8</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>10</td>
<td>2</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>600</td>
</tr>
</tbody>
</table>

Thus the sampling scheme in the present study is a two stage sampling. It includes 60 respondents from each division constituting a total of 600 respondents. The main purpose of this study is to examine the customer satisfaction on account of the
service provided by the departmental stores based on the five dimensions namely, tangibles, reliability, responsiveness, assurance and empathy.

1.12.2 Pilot Study

Initially an exploratory study was conducted to evaluate its relevance and feasibility from the commercial and social point of view. It was ascertained from the study that the stakeholders need to know the role and importance of the customer satisfaction arising out of the quality of services offered by the departmental stores. Having ascertained the viability of the topic and after an elaborate literature survey, the objectives of the study and the various hypotheses were structured. Followed by this, the researcher drafted the questionnaire for the purpose of pre-testing. As many new retail shops were popping up and gaining momentum in the Tiruchirappalli city, all the 10 divisions were included for the study. The researcher selected at random, a total of 58 respondents for the pilot study from the 10 divisions of the Tiruchirappalli city. The questionnaire was modified in the light of the responses and suggestions gathered during the pilot study. Every question was translated into Tamil, the local vernacular language, to facilitate easy understanding of questions and to ensure efficient and candid answering.
1.12.3 Data for the Study

The primary data were collected from 600 respondents who regularly ‘purchased’ and ‘experienced’ the service provided by the departmental stores under study. Simple, specific and straight questions, with multiple choice, as well as questions to be marked on a five point Likert scale and open-ended questions were included in the questionnaire. Questions were designed with an aim to maintain high degree of objectivity and consistency. Reliability analysis made for testing consistency of data was found to be 0.76 by split-half method. All the questions were logically classified into three different parts as follows:

Part I General profile of the respondents.
Part II Shopping habits of the customers.
Part III Perception of the respondents on the five dimensions of the service quality.

A special effort has been made by the researcher to collect the secondary data through Internet and many references have been taken from the websites about the retail outlets around the world, besides the regularly used sources - journals, magazines, books, published articles etc. The data for the selective sample stores were collected from the sales tax office of Tiruchirappalli. This data supplements the primary data collected from the respondents.
I.12.4 Research Instrument

The questionnaire was designed based on the concept of SERVQUAL to measure the level of customer satisfaction regarding the quality of service rendered by the departmental stores. The SERVQUAL scale is the specific research instrument used for this study to measure the five dimensions of the retail stores’ service quality in terms of tangibles, reliability, responsiveness, assurance and empathy.

I.12.5 Statistical Tools Used

Appropriate statistical tools like weighted average, Correlation analysis, Chi-square test, One-way ANOVA, t-test, Factor Analysis and Logistic regression were applied with the help of the Statistical Package for Social Sciences (SPSS), which resulted in observations interpretations and findings towards the dimensions of retail service quality of the study units.

Correlation Analysis

Correlation measures the relationship between any two variables. In this study correlation co-efficients were found out between the different sets of variables of study say, income and satisfaction, education and satisfaction etc.

Chi-Square Test

Chi-square test was used to find out the association between two nominal variables. In this study Chi-square test was carried
out in each dimension between two variables, such as gender and satisfaction, occupation and satisfaction etc.

**One Way ANOVA**

One way ANOVA was used for comparing three (or) more averages. In this research satisfaction percentage score for various dimensions of the departmental stores between age groups, salary level, occupation, educational qualification, income etc. were evaluated.

**Weighted Average**

The weighted average was obtained for each aspect of dimension using the formula \( \frac{\sum xw}{\sum w} \), where \( x \) denotes score for each aspect such as 5 for very good, 4 for good etc. and \( w \) denotes the number of persons who had given the above scores.

**t-Test**

t-test was used for comparing two means. In this study the average satisfaction percentage score for each dimension is compared between gender (male and female) and mode of payment (Cash and Credit Cards).

**Factor Analysis**

Factor analysis was used for dimension reduction techniques. In this study factor analysis was used for considering the variables under each dimension such as tangibles, reliability, responsiveness,
assurance and empathy to a fewer dimensions, so that the importance of each dimension is highlighted.

**Percentage Score**

In order to understand the overall satisfaction level with respect to each aspect, a score of 5 was given for the response of strongly agree, 4 for agree, 3 for some what agree, 2 for disagree and 1 for strongly disagree. Thus all the scores were added and converted into percentage score. Further these scores were rated as a score of less than 40 which is rated as poor, 41-59 as average and 60 and above as good.

**Logistic Regression**

Logistic regression is like a regression analysis, in which the response variable ‘y’ takes a binary value either 0 or 1. In each dimension, a percentage score of 80 and above was taken as 1 (good level of satisfaction) and a percentage score of below 80 was taken as 0 (poor level of satisfaction). The independent variables considered in the analysis were age, gender, occupation, income, family size, frequency of purchase and preference of shopping. In Logistic regression of odds ratio play a significant role in interpreting the results. An odds ratio greater than 1 indicates the increase of good satisfaction level, less than 1 indicates decrease of good satisfaction level.
I.13 Area of the Study

The present study is confined to Tiruchirappalli city, which is one of the prominent and fast developing industrial and educational centres of Tamil Nadu. According to the information provided by the sales tax office, the Tiruchirappalli city has been divided into 10 divisions. The total number of departmental stores spread over in all the 10 divisions together was 1911 out of which two stores were selected at random from each division for the present study, based on the definition of the universe.

I.14 CONCEPTS USED

SERVQUAL: SERVQUAL refers to meeting on exceeding customer expectations by the store. Service quality is an outcome of an evaluation process, wherein the consumer compares his/her expectations with the service he/she has received.

Customer Satisfaction: It is the outcome of a cognitive and effective evaluation, where some standard expectation is compared to the actually perceived performance. If the perceived performance is less than expected, customers will be dissatisfied. On the other hand, if the perceived performance exceeds expectations, customers will be satisfied.

Departmental Stores: It is a retail establishment consisting of all consumable products amassed under one roof and offers the consumer a choice of multiple merchandise lines, at variable price points in all product categories.
**FMCG:** Fast Moving Consumer Goods are a kind of merchandise, which are mass-used, directly consumable, having significant demand by low to middle-income strata and characterized as highly price sensitive.

### 1.15 LIMITATIONS OF THE STUDY

1. The opinion of the respondents might encounter some degree of deviation due to their biased attitude and lapse of memory. Also the opinion collected might change from place to place, time to time and from people to people.

2. As the geographical area of the study is limited to Tiruchirappalli city, the findings may not reflect the average global scenario.

3. As there are only a few recently emerged large scale departmental stores in Tiruchirappalli city, the data collected may not reflect the average opinion of the entire departmental stores world wide.

4. Analysis of the service quality is restricted to only the five dimensions which can be further rescaled, to track for further improvements in specific areas of service. It may seem to be a hurdle to be aiming at a global measurement approach until a wider retail measurement scale is made available.
I.16 CHAPTER SCHEME

The report of the study has been presented under five chapters, as given below:

Chapter 1 : Introduction

The first chapter provides the design of the study comprising the statement of the problem, objectives, review of literature, scope and importance, hypotheses tested, methodology used and the limitations involved.

Chapter II: Service Quality and Customer Satisfaction in Retailing – An Overview

The second chapter covers the theoretical framework related to retailing, customer satisfaction and service quality rendered by the retail shops and the prevailing trend.

Chapter III: A Profile of Tiruchirappalli – The Area of Study

This chapter describes the geographical area of the study: its historical background and the present demographic and general economic status. It includes the locational distribution of the sample shops selected for the study.

Chapter IV: Customer Satisfaction with regard to Service Quality rendered by Departmental Stores

This chapter includes the analysis of the primary data with various statistical tools namely, Chi-square test, One way ANOVA, ‘t’-test, factor analysis and logistic regression for all the five
dimensions along with the observations and interpretations of retail service quality.

Chapter V: Findings, Suggestions and Conclusion

The final chapter highlights the findings and suggestions based on the analysis and interpretation of the data and also provides areas for future research.