1 INTRODUCTION OF RETAIL SECTOR, SERVICE QUALITY AND CUSTOMER SATISFACTION

1.1 INTRODUCTION OF RETAIL SECTOR

Retailing - no marks for guessing this is the most active and attractive sector of the last decade. While the retailing industry itself has been present through history in our country, it is only the recent past that has witnessed so much dynamism. It’s the latest bandwagon that has witnessed hordes of players leaping onto it. While international retail store chains have caught the fancy of many travellers abroad, the action was missing from the Indian business scene, at least till recently.

Retailing is still in its infancy in India. In the name of retailing, the unorganized retailing has dominated the Indian landscape so far. According to an estimate the unorganized retail sector has 97 percentage presences whereas the organized accounts for merely 3 percentages. Industry has already predicted a trillion dollar market in retail sector in India by the year 2010. However, the retail industry in India is undergoing a major shake-up as the country is witnessing a retail revolution. The old traditional formats are slowly changing into more complex and bigger formats. Malls and mega malls are coming up in almost all the places be it – metros or the smaller cities, across the length and breadth of the country.

Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building.
process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy. A comparative change can be seen with the help of graphical study given as below. The figure 1.1 explained about comparative penetration of organized retail store.

CHART 1-1 COMPARATIVE PENETRATION OF ORGANIZED RETAIL SECTOR

Source: “Overview of the Organized Retail Sector in India”
http://projects.i360training.com
The emergence of retailing in India has more to do with the increasing purchasing power of buyers, especially post-liberalisation, increase in product variety, and the increasing economies of scale, with the aid of modern supply and distribution management solutions.

A definition of retailing is essential in order to be in a position to assess the impact of retailing and its future potential. The current retailing revolution has been provided an impetus from multiple sources. These revolutionaries include many conventional stores upgrading themselves to modern retailing, companies in competitive environments entering the market directly to ensure exclusive visibility for their products and professional chain stores coming up to meet the need of the manufacturers who do not fall into either of the above categories. Attractiveness, accessibility and affordability seem to be the key offerings of the retailing chain.

The Indian retailing industry is becoming intensely competitive, as more and more players are varying for the same set of customers. The major retail players are Pantaloon Retail, Shoppers Stop, Reliance Fresh, and Big Bazaar.

Retailing is one of the biggest sectors and it is witnessing revolution in India. The new entrant in retailing in India signifies the beginning of retail revolution. India's retail market is expected to grow tremendously in next few years. According to AT Kearney, The Windows of Opportunity shows that Retailing in India was at opening stage in the year 1995 and now it is in peaking stage in the year 2006. India's retail market is expected to grow tremendously in next few years. India shows US$330 billion retail market that is expected to grow 10 percent a year, with modern retailing just beginning. India ranks first in the year 2005. In fact, in the year 2005 and
2006, India is the most compelling opportunity for retailers, because now India is in peaking stage.

Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centres, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.

1.1.1 WHAT IS RETAILING?

The word "Retail" originates from a French-Italian word. Retailer-someone who cuts off or sheds a small piece from something. Retailing is the set of activities that markets products or services to final consumers for their own personal or household use. It does this by organizing their availability on a relatively large scale and supplying them to customers on a relatively small scale. Retailer is a Person or Agent or Agency or Company or Organization who is instrumental in reaching the Goods or Merchandise or Services to the End User or Ultimate Consumer.
Definition of Retail:-

“Retail means selling goods and services in small quantities directly selling to customers. Retailing consists of all activities involved in marketing of goods and services directly to consumer for their personnel family and household use.” (Source: sales and distribution management by Rampal)

1.1.2 TRADITIONAL RETAIL SCENE IN INDIA
India is the country having the most unorganized retail market. Traditionally the retail business is run by Mom & Pop having Shop in the front & house at the back. More than 99 percent retailers function in less than 500Sq.Ft of area. All the merchandise was purchased as per the test & vim and fancies of the proprietor also the pricing was done on ad hoc basis or by seeing at the face of customer. Generally the accounts of trading & home are not maintained separately. Profits were accumulated in slow moving & non-moving stocks which were to become redundant or consumed in-house. Thus profits were vanished without their knowledge. The Manufactures were to distribute goods through C & F agents to Distributors & Wholesalers. Retailers happen to source the merchandise from Wholesalers & reach to end-users. The merchandise price used to get inflated to a great extent till it reaches from Manufacturer to End-user. Selling prices were largely not controlled by Manufacturers. Branding was not an issue for majority of customers. More than 99 percent customers are price sensitive & not quality or Brand Sensitive at the same time they are Brand conscious also. Weekly Bazaar in many small towns was held & almost all the commodities were on the scene including livestock. Bargaining was the unwritten law of market. Educational qualification level of these retailers was always low. Hence market was controlled by handful of distributors &/or Wholesalers. Virtually there was only one format of retailing & that was mass retail. Retailer to consumer ratio was very low,
for all the categories without exception. Variety in terms of quality, Styles were on regional basis, community based & truly very low range was available at any given single place. Almost all the purchases / (buying) by mass population was need oriented & next turn may be on festivals, Marriages, Birthdays & some specific occasions.

Impulsive buying or consumption is restricted to food or vegetables etc. Having extra pair of trousers or Shirts or Casuals & Formals & leisure wear & sports wear & different pair of shoes for occasions is till date is a luxury for majority population except for those living in Metros. Purchasing power of Indian urban consumer is very low and that of Branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food, Jewellery, are slowly seeping into the lifeline of Indian City folks. However electronic & electrical home appliances do hold appropriate image into the minds of consumers. Brand name does matter in these white goods categories. In the coming times also majority of organized retailers will find it difficult to keep balance with rest of the unbranded retail market which is very huge.

1.1.3 EVOLUTION OF INDIAN RETAIL SECTOR

The origins of retailing in India can be traced back to the emergence of Kirana stores and mom-and-pop stores. These stores used to cater to the local people. Eventually the government supported the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. The economy began to open up in the year1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar's, Raymond’s, etc. Later Titan launched retail showrooms in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing.
The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors India retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, however with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. With growing market demand, the industry is expected to grow at a pace of 25-30 percent annually. The India retail industry is expected to grow from `35,000 crore in year 2004-05 to `109,000 crore by the year 2010.

Retail outlets such as Food world in FMCG, Planet M and Music world in Music, Crossword in books entered the market before the year 1995. Shopping malls emerged in the urban areas giving a world-class experience to the customers. Eventually hypermarkets and supermarkets emerged. The evolution of the sector includes the continuous improvement in the supply chain management, distribution channels, technology, back-end operations, etc. this would finally lead to more of consolidation, mergers and acquisitions and huge investments.
FIGURE 1-1 PHASES IN THE EVOLUTION OF RETAIL SECTOR

- Sources of entertainment and commercial exchange

Weekly Markets, Village and Rural Melas

- Neighborhood stores/convenience
  - Traditional and pervasive reach

Convenience stores, Mom-and-pop / Kirana shops

- Government supported
  - Availability/low costs/distribution

PDS outlets, Khadi stores, Cooperatives

- Shopping experience/efficiency
  - Modern formats/international

Exclusive brand outlets, hypermarkets and supermarkets, department stores and shopping malls

1.1.4 THE INDIAN RETAIL SECTOR
India is the country having the most unorganized retail market. Traditionally it was a family's livelihood, with their shop in the front and house at the back, while they run the retail business. In India more than 99 percent retailer’s function in less than 500 square feet of shopping space. Global retail consultants KSA Technopak have estimated that organized retailing in India is expected to touch Rs 35,000 crore in the year 2005-06. The Indian retail sector is estimated at around Rs 900,000 crore, of which the organized sector accounts for a mere 2 per cent indicating a huge potential market opportunity that is lying in the waiting for the consumer-savvy organized retailer. Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. There is no doubt that the Indian retail scene is booming. A number of large corporate houses —Tata’s, Raheja’s, Piramals’s, Goenka’s — have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, new age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and home/building construction stores. Today the organized players have attacked every retail category.

The Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies or having a well thought out branding strategy. The growth rate of super
market sales has been significant in recent years because greater numbers of higher income Indians prefer to shop at supermarkets due to higher standards of hygiene and attractive ambience. With growth in income levels, Indians have started spending more on health and beauty products. Here also small, single-outlet retailers dominate the market. In recent years, a few retail chains specialized products have come into the market. Although these retail chains account for only a small share of the total market, their business is expected to grow significantly in the future due to the growing quality consciousness of buyers for these products. Numerous clothing and footwear shops in shopping centre’s and markets operate all over India. Traditional outlets stock a limited range of cheap and popular items; in contrast, modern clothing and footwear stores have modern products and attractive displays to lure customers. With rapid urbanization, and changing patterns of consumer tastes and preferences, it is unlikely that the traditional outlets will survive the test of time. Despite the large size of this market, very few large and modern retailers have established specialized stores for products.

There seems to be a considerable potential for the entry or expansion of specialized retail chains in the country. The Indian durable goods sector has seen the entry of a large number of foreign companies during the post liberalization period. A greater variety of consumer electronic items and household appliances became available to the Indian customer. Intense competition among companies to sell their brands provided a strong impetus to the growth for retailers doing business in this sector. Increasing household incomes due to better economic opportunities have encouraged consumer expenditure on leisure and personal goods in the country. There are specialized retailers for each category of products (books, music products, etc.) in this sector. Another prominent feature of this sector is
popularity of franchising agreements between established manufacturers and retailers. A strong impetus to the growth of retail industry is witnessed by economic boom and driver of key trends in urban as well as rural India.

1.1.5 GROWTH OF RETAIL MANAGEMENT
Retail is India's largest industry. It accounts for over 10 per cent of the India's GDP and around eight per cent of the employment. Retail sector is one of India's fastest growing sectors with a 5 per cent compounded annual growth rate. India's huge middle class base and its untapped retail industry are key attractions for global retail giants planning to enter newer markets. Driven by changing lifestyles, strong income growth and favorable demographic patterns, Indian retail is expected to grow 25 per cent annually. It is expected that retail in India could be worth US $175-200 billion by the year 2016.

The organized retail industry in India had not evolved till the early 1990s. Until then, the industry was dominated by the un-organized sector. It was a sellers market, with a limited number of brands, and little choice available to customers. Lack of trained manpower, tax laws and government regulations all discouraged the growth of organized retailing in India during that period. Lack of consumer awareness and restrictions over entry of foreign players into the sector also contributed to the delay in the growth of organized retailing. Foundation for organized retail in India was laid by Kishore Biyani of Pantaloon Retails India Limited (PRIL). Following Pantaloon's successful venture a host of Indian business giants such as Reliance, Bharti, Birla and others are now entering into retail sector.

A number of factors are driving India's retail market. These include: increase in the young working population, hefty pay-packets, nuclear families in urban areas, increasing working-women population, increase in disposable income and customer aspiration, increase in expenditure for
luxury items, and low share of organized retailing. India's retail boom is manifested in sprawling shopping centers, multiplex-malls and huge complexes that offer shopping, entertainment and food all under one roof.

But there is a flip side to the boom in the retail sector. It is feared that the entry of global business giants into organized retail would make redundant the neighbourhood kiriyana stores resulting in dislocation in traditional economic structure. Also, the growth path for organized retail in India is not hurdle free. The taxation system still favours small retail business. With the intrinsic complexities of retailing such as rapid price changes, constant threat of product obsolescence and low margins there is always a threat that the venture may turn out to be a loss making one.

A perfect business model for retail is still in evolutionary stage. Procurement is very vital cog in the retail wheel. The retailer has to fight issues like fragmented sourcing, unpredictable availability, unsorted food provisions and daily fluctuating prices as against consumer expectations of round-the-year steady prices, sorted and cleaned food and fresh stock at all times.

Trained human resource for retail is another big challenge. The talent base is limited and with the entry of big giants there is a cat fight among them to retain this talent. This has resulted in big salary hikes at the level of upper and middle management and thereby eroding the profit margin of the business. All the companies have laid out ambitious expansion plans for themselves and they may be hampered due lack of requisite skilled manpower.

But retail offers tremendous for the growth of Indian economy. If all the above challenges are tackled prudently there is a great potential that retail may offer employment opportunities to millions living in small town and
cities and in the process distributing the benefits of economic boom and resulting in equitable growth.

1.1.6 UNORGANIZED RETAILING IN INDIA
In India, the most of the retail sector is unorganized. In India, the retail business contributes around 11 percent of GDP. Of this, the organized retail sector accounts only for about 3 percent share, and the remaining share is contributed by the unorganized sector. The main challenge facing the organized sector is the competition from unorganized sector. Unorganized retailing has been there in India for centuries, these are named as mom-pop stores. The main advantage in unorganized retailing is consumer familiarity that runs from generation to generation. It is a low cost structure; they are mostly operated by owners, have very low real estate and labor costs and have low taxes to pay.

1.1.7 ORGANIZED RETAILING IN INDIA
In year 1990’s the retail sector has witnessed a level of transformation. Retailing is being perceived as a beginner and as an attractive commercial business for organized business i.e. the pure retailer is starting to emerge now. Organized retail business in India is very small but has tremendous scope. The total in the year 2005 stood at $225 billion, accounting for about 11 percent of GDP. In this total market, the organized retail accounts for only $8 billion of total revenue. According to A T Kearney, the organized retailing is expected to be more than $23 billion revenue by the year 2010.

In organized retailing will grow faster than unorganized sector and the growth speed will be responsible for its high market share, which is expected to be $17 billion by the year 2010-11.

Retailing will show good prospects in cities like Mumbai, Delhi, Chennai, Kolkata, Bangalore and Kanpur. After Dubai, Singapore and Hong Kong, In India Delhi will be the next big retail destination, According to
Confederation of Indian Industries whose findings have shown that Delhi has the good resources and good conditions for the retail sector. Out of the total earnings of the Government of Delhi Rs 11,000 crore, Rs 6,500 crore is achieved from the retail sector.

The organized sector is expected to grow faster than GDP growth in next few years driven by favorable demographic patterns, changing lifestyles, and strong income growth. This organized retail sector mix includes supermarkets, hypermarkets discounted stores and specialty stores, departmental stores. For example, Spencer network has 69 stores, which includes seven Spencer hypermarkets, three Spencer super markets and 49 Spencer Dailys. Now the company is planning to open 20 stores in 10 cities in six months. The top 10 retailers account only for 20 percent of total market, today modern retailing is expected to enter a boom phase, which has major players and these players might capture 10 percent of total market, within next five years.

As the contemporary retail sector in India is reflected in sprawling shopping centers, multiplex-malls and huge complexes offer shopping, entertainment and food all under one roof, the concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. This has also contributed to large-scale investments in the real estate sector with major national and global players investing in developing the infrastructure and construction of the retailing business. Figure 1.2 shows the predicted mall distribution in India. The trends that are driving the growth of the retail sector in India are mention as:

- Low share of organized retailing.
- Falling real estate prices.
- Increase in disposable income and customer aspiration.
- Increase in expenditure for luxury items.

CHART 1-2 PREDICTED MALL DISTRIBUTION SPACE IN INDIA

Source: “Retail Sector in India” http://www.indianground.com

1.1.8 RETAIL FORMATS
The following kinds of retail formats are found in India:

- **Mom-and Pop stores**: these are generally family-owned business catering to small sections of society. They are small, individual run and handled retail outlets.

- **Category killers**: small specialty stores have expanded to offer a range of categories. They have widened their vision in terms of number of categories. They are called category killers as they specialized in their fields, such as electronics and sporting goods.
• **Departmental stores**: they are the general merchandise retailer offering various kinds of quality products and services

These do not offer full service category products and some carry a selective product line. K Raheja's Shoppers Stop is a good example of department stores. Other examples are Lifestyle and Westside. These stores have further categories, such as home and décor, clothing, groceries, toys, etc.

• **Malls**: These are the largest form of retail formats. They provide an ideal shopping experience by providing a mix of all kinds of products and services, food and entertainment under one roof. Examples are Sahara Mall, TDI Mall in Delhi.

• **Specialty Stores**: The retail chains, which deal in specific categories and provide deep assortment in them are specialty stores. Examples are RPG's Music World, Mumbai's bookstore Crossword, etc.

• **Discount stores**: These are the stores or factory outlets that provide discount on the MRP items. They focus on mass selling and reaching economies of scale or selling the stock left after the season is over.

• **Hypermarkets/ Supermarkets**: These are generally large self-service outlets, offering a variety of categories with deep assortments. These stores contribute 30% of all food and grocery organized retail sales. Example: Big Bazaar.

• **Convenience stores**: They are comparatively smaller stores located near residential areas. They are open for an extended period of the day and have a limited variety of stock and convenience products. Prices are slightly higher due to the convenience given to the customers.
E-tailers: These are retailers that provide online facility of buying and selling products and services via Internet. They provide a picture and description of the product. A lot of such retailers are booming in the industry, as this method provides convenience and a wide variety for customer. But it does not provide a feel of the product and is sometimes not authentic. As in above mention types of retail format few retail outlets in Indian market identify which explained through table 1.1.

**TABLE 1-1** FORMATS ADOPTED BY KEY PLAYERS IN INDIA

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Original formats</th>
<th>Later Formats</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPG Retail</td>
<td>Supermarket (Foodworld)</td>
<td>Hypermarket (Spencer's) Specialty Store (Health and Glow)</td>
</tr>
<tr>
<td>Piramal's</td>
<td>Department Store (Piramyd Megastore)</td>
<td>Discount Store (TruMart)</td>
</tr>
<tr>
<td>Pantaloons Retail</td>
<td>Small format outlets (Shoppe) Department Store (Pantaloon)</td>
<td>Supermarket (Food Bazaar) Hypermarket (Big Bazaar) Mall (Central)</td>
</tr>
<tr>
<td>K Raheja Group</td>
<td>Department Store (shopper's stop) Specialty Store (Crossword)</td>
<td>Supermarket Hypermarket</td>
</tr>
<tr>
<td>Tata/ Trent</td>
<td>Department Store (Westside)</td>
<td>Hypermarket (Star India Bazaar)</td>
</tr>
<tr>
<td>Landmark Group</td>
<td>Department Store (Lifestyle)</td>
<td>Hypermarket</td>
</tr>
<tr>
<td>Others</td>
<td>Discount Store (Subhiksha, Margin Free, Apna Bazaar), Supermarket (Nilgiri's), Specialty Electronics</td>
<td></td>
</tr>
</tbody>
</table>
1.1.9  ROAD MAP OF LARGE RETAILERS

* Reliance Retail: investing Rs. 30,000 crore ($6.67 billion) in setting up multiple retail formats with expected sales of Rs. 90,000 crore plus ($20 billion) by the year 2009-10.

* Pantaloon Retail: Will occupy 10 mn sq.ft retail space and achieve Rs.9,000 crore-plus ($2 bn) sales by the year 2008.

* RPG: Planning IPO will have 450-plus Music World, 50-plus Spencer's Hyper covering 4 mn sq.ft by the year 2010.

* LIFESTYLE: Investing Rs.400 crore-plus ($90 mn) in next five years on Max Hypermarkets & value retail stores, home and lifestyle centers.

* Raheja's: Operates Shoppers' Stop, Crossword, Inorbit Mall, and 'Home Stop' formats. They will operate 55 "Hypercity" hypermarkets with US$100 million sales across India by the year end 2015.

* Piramyd Retail: Aiming to occupy 1.75 million sq.ft retail spaces through 150 stores in next five years.

* TATA (Trent Ltd.): Trent to open 27 more stores across its retail formats adding 1 mn sq.ft of space in the next 12 DLF malls. Titan industries want to add 50-plus Titan and Tanishq stores in year 2006.

1.1.10  GROWTH DRIVERS IN INDIA FOR RETAIL SECTOR

Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence of consumer tastes.

- Liberalization of the Indian economy
- Increase in spending Per capita Income.

- Advent of dual income families also helps in the growth of retail sector.

- Shift in consumer demand to foreign brands like McDonalds, Sony, Panasonic, etc.

- Consumer preference for shopping in new environs

- The Internet revolution is making the Indian consumer more accessible to the growing influences of domestic and foreign retail chains. Reach of satellite T.V. channels is helping in creating awareness about global products for local markets.

- About 47 percent of India's population is under the age of 20; and this will increase to 55 percent by the year end 2015. This young population, which is technology-savvy, watch more than 50 TV satellite channels, and display the highest propensity to spend, will immensely contribute to the growth of the retail sector in the country.

- Availability of quality real estate and mall management practices

- Foreign companies' attraction to India is the billion-plus population.

### 1.1.11 FUTURE RETAILING IN INDIA

The data of wholesale market index extensive market, company and deals research covering India’s retail market. It provides detailed segmentation of historic and forecast retail sales, segmented down to category and channel level; analysis of the leading Indian companies in the retail market; and analysis of the key financial deals involving retail players in India.
“The Future of Retailing in India” provides both top-level overview and detailed category-, channel- and company-specific insights into India’s retail industry environment. It is an essential tool for companies active across India’s retail value chain and for new players considering entering India’s retail markets.

➢ Key Market Trends

- Share of Retail in GDP: The share of retail industry in the GDP of India is steadily rising. It constituted around 8 – 10 percent of the national GDP in the year 2007. It reached around 12% at the end of year 2008 and likely to make contribution of 22 per cent by year end 2010.

- Attractiveness of Retail Market: The retail market of India has been declared as the most favorable market for making investments at the global level. Besides this, it is the fifth largest retail market in the world.

- Emphasis on IT: Nowadays, lot of emphasis has been put on utilizing the Information Technology in retail sector to the large extent. Solutions like Business Intelligence and analytics have emerged as among the latest trends in retail industry of India. Besides this, retailers have been able to optimize their business by using other tools such as Point of Sale, Supply Chain Management, Warehouse Management Systems and Enterprise Resource Planning.

- Retail Boom now Spreading to Tier- II and Tier-III Cities: As the current economic boom in India is spreading to Tier-II and Tier-III cities and towns, approaching potential consumers in these cities is among the high priority list for most of the retail companies. Cities like Noida, Amritsar, Kochi and Gurgaon are emerging as the lucrative retail destinations due to their huge growth potential.
- **Retailers Focusing on Private Labels:** Retailers are nowadays feeling the rising pressure on their margins and are hence looking at sales through private labels to improve their bottom lines. Most of the retailers are expecting 20-40 percent growth in their private label segment within the next three years. The margins offered by the private labels are as high as 35-40 percent.

- **Single Brand Retailing:** Huge FDI has been made in the retail trading of single brand after allowing up to 51 percent of FDI in it. According to the statistics provided by Department of Industrial Policy and Promotion (DIPP), FDI inflow in the sector at the end month of September year 2009 was around US$47.43 million.

- **Organized Retail growing:** Currently, the share occupied by organized retailing within the total retail market is around 5 percent and is likely to increase further due to large number of malls and organized retail stores coming up in India or under the planning phase. The revival in organized retail sales gives an indication towards growing spending by the urban consumers, which is likely to boost the overall business environment.

1.2 **INTRODUCTION OF SERVICE QUALITY**

1.2.1 **WHAT IS SERVICE?**

Service is an intangible commodity. More specifically, services are an intangible equivalent of economic goods.

Service provision is often an economic activity where the buyer does not generally, except by exclusive contract, obtain exclusive ownership of the thing purchased. The benefits of such a service, if priced, are held to be self-evident in the buyer's willingness to pay for it. Public services are those societies as a whole pays for through taxes and other means.
By composing and orchestrating the appropriate level of resources, skill, ingenuity, and experience for effecting specific benefits for service consumers, service providers participate in an economy without the restrictions of carrying stock (inventory) or the need to concern themselves with bulky raw materials. On the other hand, their investment in expertise does require consistent service marketing and upgrading in the face of competition which has equally few physical restrictions. Many so-called services, however, require large physical structures and equipment, and consume large amounts of resources, such as transportation services and the military.

1.2.2 SERVICE CHARACTERISTICS

Services can be paraphrased in terms of their generic key characteristics.

1. Intangibility

Services are intangible and insubstantial: they cannot be touched, gripped, handled, looked at, smelled, tasted or heard. Thus, there is neither potential nor need for transport, storage or stocking of services. Furthermore, a service cannot be (re)sold or owned by somebody, neither can it be turned over from the service provider to the service consumer nor returned from the service consumer to the service provider. Solely, the service delivery can be commissioned to a service provider who must generate and render the service at the distinct request of an authorized service consumer.

2. Perishability

Services are perishable in two regards
• The service relevant resources, processes and systems are assigned for service delivery during a definite period in time. If the designated or scheduled service consumer does not request and

• An empty seat on a plane never can be utilized and charged after departure.

• When the service has been completely rendered to the requesting service consumer, this particular service irreversibly vanishes as it has been consumed by the service consumer. Example: the passenger has been transported to the destination and cannot be transported again to this location at this point in time.

3. Inseparability

The service provider is indispensable for service delivery as he must promptly generate and render the service to the requesting service consumer. In many cases the service delivery is executed automatically but the service provider must preparatory assign resources and systems and actively keeps up appropriate service delivery readiness and capabilities. Additionally, the service consumer is inseparable from service delivery because he is involved in it from requesting it up to consuming the rendered benefits. Examples: The service consumer must sit in the hair dresser's shop & chair or in the plane & seat; correspondingly, the hair dresser or the pilot must be in the same shop or plane, respectively, for delivering the service.

4. Simultaneity

Services are rendered and consumed during the same period of time. As soon as the service consumer has requested the service (delivery), the particular service must be generated from scratch without any delay and
friction and the service consumer instantaneously consumes the rendered benefits for executing his upcoming activity or task.

5. Variability

Each service is unique. It is one-time generated, rendered and consumed and can never be exactly repeated as the point in time, location, circumstances, conditions, current configurations and/or assigned resources are different for the next delivery, even if the same service consumer requests the same service. Many services are regarded as heterogeneous or lacking homogeneity and are typically modified for each service consumer or each new situation (consumerised). Example: The taxi service which transports the service consumer from his home to the opera is different from the taxi service which transports the same service consumer from the opera to his home – another point in time, the other direction, maybe another route, probably another taxi driver and cab. Each of these characteristics is retractable per se and their inevitable coincidence complicates the consistent service conception and makes service delivery a challenge in each and every case. Proper service marketing requires creative visualization to effectively evoke a concrete image in the service consumer’s mind. From the service consumer’s point of view, these characteristics make it difficult, or even impossible, to evaluate or compare services prior to experiencing the service delivery.

Mass generation and delivery of services is very difficult. This can be seen as a problem of inconsistent service quality. Both inputs and outputs to the processes involved providing services are highly variable, as are the relationships between these processes, making it difficult to maintain consistent service quality. For many services there is labour intensity as
services usually involve considerable human activity, rather than a precisely determined process; exceptions include utilities. Human resource management is important. The human factor is often the key success factor in service economies. It is difficult to achieve economies of scale or gain dominant market share. There are demand fluctuations and it can be difficult to forecast demand. Demand can vary by season, time of day, business cycle, etc. There is consumer involvement as most service provision requires a high degree of interaction between service consumer and service provider. There is a customer-based relationship based on creating long-term business relationships. Accountants, attorneys, and financial advisers maintain long-term relationships with their clients for decades. These repeat consumers refer friends and family, helping to create a client-based relationship.

1.2.3 WHAT IS QUALITY?
One view of quality is that it is defined entirely by the customer or end user, and is based upon that person's evaluation of his or her entire customer experience. The customer experience is defined as the aggregate of all the interactions that customers have with the company's products and services. For example, any time one buys a product, one form an impression based on how it was sold, how it was delivered, how it performed, how well it was supported etc.

1.2.4 SERVICE QUALITY
Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either. There are a number of different definitions as to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers ‘needs or expectations (Parasuraman et al., 1994;
Madeline Pullman and Michael Gross, 2003). Service quality can thus be defined as the difference between customer expectations of service and perceive service. If expectations are greater than performance, than perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1985; F.Olorunniwo, 2006).

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 clear standards for service delivery. By the 1990s, service organizations were also beginning to understand what their manufacturing colleagues had earlier -that quality cannot be improved unless it is measured and the best measure is the customer (Babakus, 1992, c.johnson et al, 1997) suggests that as a result of competitors moving over faster, there is a need to listen to customers and respond intently.

1.3 INTRODUCTION OF CUSTOMER SATISFACTION

1.3.1 WHAT IS CUSTOMER SATISFACTION?

Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key
differentiator and increasingly has become a key element of business strategy.

Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers’ expectations. Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability. These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective.

Therefore, it is essential for businesses to effectively manage customer satisfaction. To be able do this, firms need reliable and representative measures of satisfaction.

**Kotler (2000)** defined satisfaction as: "a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations". According to Hansemak and Albinsson (2004), "satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire".

**Hoyer and MacInnis (2001)** said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight. There are many factors that affect customer satisfaction. According to Hokanson (1995), these factors include friendly employees, courteous employees, knowledgeable employees, helpful employees, accuracy of billing, billing timeliness, competitive pricing, service quality, good value, billing clarity and quick service.
1.3.2 IMPORTANCE OF CUSTOMER SATISFACTION

Customer satisfaction is a crucial issue in the success of any business system. In a turbulent commerce 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 customer relations (Patterson et al, 1997). It is evidenced by the fact that over the last five years, customer satisfaction surveys have become common in many institutions. Thus, a fundamental understanding of factors impacting customer satisfaction is of great importance to commerce.

To understand satisfaction, we need to have a clear understanding of what means by customer satisfaction is defined as a result of a cognitive and affective evaluation, where some comparison standard is compared to the actually perceived performance. If the perceived performance is less than expected, customer will be dissatisfied. On other hand, if the perceived performance exceeds expectation, customers will be satisfied (kang, 2006).

Satisfaction is a crucial concern for both customers and organizations including stores. Satisfaction is a subjective concept and therefore difficult to determine, (European Institute of Public Administration, 2008). It depends on a myriad of factors and varies from person to person as well as product to product. Some of the main concepts of satisfaction in the literature include value, quality and satisfaction. Value according to Zeithaml (1988) is the importance attached to services based on their usage and the amount paid in exchange. Quality on the other hand, is the meeting of the needs and expectations of customers, (Parasuraman et al. 1991). Oliva et al (1992), Fecikova (2004) and (ISO 2005) are of the view that satisfaction is the meeting of
the needs or wants of customers. From the foregoing, it can be seen that all these concepts are the same and are used interchangeably. Titko and Lace (2010) accentuate that the competitive power and survival of a store lies in the degree of its customer satisfaction. Stores therefore pay particular attention to customer satisfaction, (Kattack and Rehman 2010). According to Stafford (1996), due to the fact that stores sell variety of products, the only effective tool they can use to survive in the market is the quality of service. Bowen and Hedges (1993) claim that stores that offer very high quality services have a competitive advantage because the benefits of improved quality of service are large market shares increased in profits and increased in customer retention. In addition, Zeithmal et al (1996) submit that the reputation of the stores is enhanced, new customers are captured and there is an increase in sale. Yeung et al (2002) on the other hand intimate that customers bring new customers to the store through word- of- mouth and thereby reducing the cost of marketing. Sureshchandar et al (2003) think otherwise. They posit that the quality of service and satisfaction are the most important indicators of cementing the relationship between the organisation and its customers. Satisfaction does not only emanate from the services provided but also from other important factors. Owusu-Frimpong (1999) contends that the attitude of the service organization can help customers evaluate the quality of services being offered to them. A receptive attitude is a key ingredient for giving customers a positive image about the store and the services provided. The physical environment regarding the infrastructure, the design and the general atmosphere are equally taken into account by customers when assessing the quality of services of stores. Similarly, the duration of service delivery gives both positive and negative impressions to customers. A short waiting time for instance, may give a good impression about the
store that its services are of high quality. Customers on the hand want the best value for their money. Therefore, they spare no efforts in searching for high quality services, (Strategic Direction, 2007). Customers’ perceptions are determined by myriad of factors. Kotler et al (1999) posit that individual’s consumption behaviour is influenced by personal characteristics like age and life-cycle, monthly expenditure, economic situation, lifestyle and personality and self-concept. Zeithaml and Bitner, cited in Kangis and Voukelatos (1997:280) on the other hand advance that factors like service encounters, the evidence of service, image and price constitute customers’ perceptions of service quality, satisfaction and value. Similarly, Abdullah and Rozario (2009) posit that the level of customer satisfaction may be influenced by various internal and external factors. Customers generally evaluate service quality before and after their use. According to Zeithaml et al (1993) consumers evaluate services and products through three processes. These are pre-purchase or search qualities, experience qualities and credence qualities. Search qualities are features that consumers look out for before buying and are those that they can see, feel or touch. On the other hand, experience qualities are post-purchase features that customers assess whilst credence features are those that are not easy for consumers to assess during the post-purchase period. Stores services are of the experience and credence types and are therefore difficult to assess by customers. Customers cannot evaluate these types because they do not have the required skills, expertise and knowledge to carry out the evaluation. To that effect, customers place a high premium on the image and reputation of the store before purchasing. Owusu-Frimpong (1999) indicates that because services of stores are of the credence type, friends and other fellow customers constitute the main source of information for customers. This assertion has been confirmed
by the results of the study of Tan and Chua cited in Ting (2006:99). The role that stores play in the economic development of any country including South Gujarat region cannot be over-emphasized. According to Heffernan, (1996) stores accept favorable behavior of customer’s individuals and organizations, lend them better customer satisfaction. It is believed that customers do not want to spend time in rendering and have therefore chosen to go it with retail stores for safe keeping and avail all products at single location. Therefore stores need to provide a congenial atmosphere for customers by offering reliable services. In addition, it is also the duty of stores to ensure that customers feel safe and repose confidence in them as well. There has been a sharp increase in the number of stores in south Gujarat region. According to the Banco de España (2010), due to the prolonged period of strong economic growth in retail industry over the years, the retail sector in India has grown in size to keep with the volume of population which has reached unprecedented levels.

1.3.3 SATISFACTION MEASUREMENT: OVERALL MEASURES OF SATISFACTION

Satisfaction measures involve three psychological elements for evaluation of the product or service experience: cognitive (thinking/evaluation), affective (emotional-feeling/like-dislike) and behavioral (current/future actions).

Customer satisfaction usually leads to customer loyalty and product repurchase. But measuring satisfaction is not the same as measuring loyalty. Satisfaction measurement questions typically include items like:

1. An overall satisfaction measure (emotional): Overall, how satisfied are you with store atmosphere?
Satisfaction is a result of a product related experience and this question reflects the overall opinion of a consumer's experience with the product's performance. Note that it is meaningful to measure attitudes towards a product that a consumer has never used, but not satisfaction for a product or brand that has never been used.

2. A loyalty measure (affective, behavioral): Would you recommend to your family and friends?

3. A series of attribute satisfaction measures (affective and cognitive):
   How satisfied are you with the service of the store? How important is service to you in selecting retail stores?

Satisfaction and attitude are closely related concepts. The psychological concepts of attitude and satisfaction may both be defined as the evaluation of an object and the individual's relationship to it. The distinction is that satisfaction is a "post experience" evaluation of the satisfaction produced by the product's quality or value.

4. Intentions to repurchase (behavioral measures): Do you intend to revisit to store?

Satisfaction can influence post-purchase/post-experience actions other than usage (such as word of mouth communications and repeat purchase behavior). Additional post-experience actions might include product or information search activity, changes in shopping behavior and trial of associated products.
As shown in Figure 1.2 Customer satisfaction is influenced by perceived quality of product and service attributes, features and benefits, and is moderated by customer expectations regarding the product or service. Each of these constructs that influence customer satisfaction need to be defined by the researcher.
As shown in figure 1.3 satisfaction measures with product and service attributes

- **Satisfaction Measurement: Affective Measures of Customer Satisfaction**

  A consumer's attitude (liking/disliking) towards a product can result from any product information or experience whether perceived or real. Again, it is meaningful to measure attitudes towards a product or service that a consumer has never used, but not satisfaction.

Source: [http://www.marketingx2.com](http://www.marketingx2.com)
• **Satisfaction Measurement: Cognitive Measures of Customer Satisfaction**

A cognitive element is defined as an appraisal or conclusion that the product was useful (or not useful), fit the situation (or did not fit), exceeded the requirements of the problem/situation (or did not exceed). Cognitive responses are specific to the situation for which the product was purchased and specific to the consumer's intended use of the product, regardless if that use is correct or incorrect.

• **Satisfaction Measurement: Behavioral Measures of Customer Satisfaction**

It is sometimes believed that dissatisfaction is synonymous with regret or disappointment while satisfaction is linked to ideas such as, "it was a good choice" or "I am glad that I bought it." When phrased in behavioral response terms, consumers indicate that "purchasing this product would be a good choice" or "I would be glad to purchase this product." Often, behavioral measures reflect the consumer's experience individuals associated with the product (i.e. customer service representatives) and the intention to repeat that experience.

• **Satisfaction Measurement: Expectations Measures**

Many different approaches to measuring satisfaction exist in the consumer behavior literature. Leonard Berry in the year 2002 expanded previous research to refine ten dimensions of satisfaction, including: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation. Berry's
dimensions are often used to develop an evaluative set of satisfaction measurement questions that focus on each of the dimensions of customer satisfaction in a service environment.

A diagnostic approach to satisfaction measurement is to examine the gap between the customer's expectation of performance and their perceived experience of performance. This "satisfaction gap" involves measuring both perception of performance and expectation of performance along specific product or service attributes dimensions.

Customer satisfaction is largely a reflection of the expectations and experiences that the customer has with a product or service. However expectations also reflect that influences the evaluation of the product or service. When we make major purchases, we research the product or service and gain information from the advertising, salespersons, and word-of-mouth from friends and associates. This information influences our expectations and ability to evaluate quality, value, and the ability of the product or service to meet our needs.

1.3.4 TYPES OF CUSTOMER EXPECTATIONS THAT INFLUENCE SATISFACTION

Customer performance expectations for attributes, features and benefits of products and services may be identified as both explicit and implicit expectation questions.

(A) Explicit expectations are mental targets for product performance, such as well identified performance standards. For example, if expectations for a copier machines were for 12 pages per minute and high quality printing, but the product actually delivered 4 pages per minute and good quality printing, then the cognitive evaluation
comparing product performance and expectations would be 12PPM — 4 PPM + High — Good, with each item weighted by their associated importance.

(B) Implicit expectations represent the norms of performance that reflect accepted standards established by business in general, other company’s names, industries types, and even cultures.

(C) Static performance expectations address how performance and quality for a specific application are defined. Each system's performance measures are unique, though general expectations relate to quality of outcome and may include those researched by Berry, or others like accessibility, customization, dependability, timeliness, and accuracy, tangible cues which augment the application, options, cutting edge technology, flexibility, and user friendly interfaces. Static performance expectations are the visible part of the iceberg, they are the performance we see and often erroneously assume are all that exist.

(D) Dynamic performance expectations are about how the product or service evolves over time and includes the changes in support and product or service enhancement needed to meet future business or use environments. Dynamic performance expectations may help to "static" performance expectations as new uses, integrations, or system requirements develop.

(E) Technological expectations focus on the evolving state of the product category. For example, mobile phones are continually evolving. Mobile service providers, in an effort to deal with the desire to switch to new technology phones, market rate plans with high cancellation penalties. The availability of low profile phones with email, camera, email, and blue tooth technology changes technology expectations as
well as the static and dynamic performance expectations of the product. These highly involving products enhance perceptions of status, ego, self-image, and can even invoke fear when the product is not available.

(F) **Interpersonal expectations** involve the relationship between the customer and the product or service provider. Person to person relationships are increasingly important, especially where products require support for proper use and functioning. Expectations for interpersonal support include technical knowledge and ability to solve the problem, ability to communicate, time to problem resolution, courtesy, patience, enthusiasm, helpfulness, understood my situation and problem, communication skills, and customer perceptions regarding professionalism of conduct, often including image, appearance.

For each of these types of expectations that when fulfilled result in customer satisfaction (or when not delivered, result in dissatisfaction and complaining behavior), the perceived quality and value are critical and directly influence intention to repurchase and loyalty.

**1.3.5 SATISFACTION MEASUREMENT: PERCEIVED QUALITY MEASURES**

Perceived quality is often measured through three measures: overall quality, perceived reliability, and the extent to which a product or service meets the customer's needs. Customer perceptions of quality are the single greatest predictor of customer satisfaction.

**Satisfaction Measurement: Perceived Value Measures**

Perceived value may conceptually refer to the overall price divided by quality or the overall quality divided by price. Perceived value is measured in many ways including overall evaluation of value, expectations of price that would be paid, and more rigorous
methodologies including the Van Westendorp pricing analysis, and conjoint analysis.

The consumer behavior literature shows that price is a primary indicator of quality when other attributes and benefits are relatively unknown. However when repeat purchases are made in some product categories, price may be reduced in importance.

**Satisfaction Measurement: Customer Loyalty Measures**

Customer loyalty reflects the likelihood of repurchasing products or services. Customer satisfaction is a major predictor of repurchase, but is strongly influenced by explicit performance evaluations of product performance, quality, and value.

1.3.6 **MODELS OF EXPECTATIONS AND CUSTOMER SATISFACTION**

Expectations are beliefs (likelihood or probability) that a product or service (with certain attributes, features or characteristics) will produce certain outcomes (benefits-values). These expectations are based on previous affective, cognitive and behavioral experiences. Expectations are seen as related to satisfaction and can be measured in the following ways:

1. **Importance**-Value of the product/service fulfilling the expectation.

2. **Overall Affect-Satisfaction Expectations**: The (liking/disliking) of the product/service; **Fulfillment of Expectations**: the expected level of performance vs. the desired expectations. This is "Predictive Fulfillment" and is a respondent specific index of the performance level necessary to satisfy.
3. **Expected Value from Use**: Satisfaction is often determined by the frequency of use. If a product/service is not used as often as expected, the result may not be as satisfying as anticipated. For example, a Harley Davidson motorcycle that sits in the garage, an unused year subscription to the local fitness center/gym or a little used season pass to the local ski resort or amusement park may produce more dissatisfaction with the decision to purchase than with the actual product/service.

1.4 **RESEARCH OBJECTIVES:**

The main objective of the research is to comparative study of customer satisfaction regarding the quality of services provided by store in South Gujarat region. Specifically, the objectives of the study are;

1. To compare the customer satisfaction about quality dimension of retail services under stores.
2. To find out the relationship between overall satisfaction and the quality dimensions of service in store.
3. To find out the main dimensions of the construct quality in relations to stores’ services in South Gujarat Region.
4. To make recommendations on enhance customer satisfaction in the retail industry in general.
5. To make recommendations about the SERVPERF model in analyzing service quality and satisfaction in stores.

1.4.1 **SIGNIFICANCE OF THE STUDY**

There were few studies that have been carried out on customer satisfaction in the retail industry in South Gujarat region. To that effect, the study will go a long way to;
• Add up to the knowledge to store on customer satisfaction in the retail industry in general
• Serve as guidelines for the formulation of policies on the quality of stores’ services
• Assist stores to know the customers satisfaction in terms of sex, age, education, monthly expenditure and time of day to prefer shop

1.4.2 ORGANIZATION OF THE STUDY
The study is organized into five chapters.

Chapter one as an introduction of retail store, service quality and customer satisfaction and chapter also deals with the research objectives, significance of the study and the organization of the study. The conceptual frame work and literature review is under the following subheading in chapter two; consumer behavior, the concepts of customer satisfaction, the SERVPERF models the empirical studies in the retail industry using SERVQUAL and SERVPERF and gaps in the literature.

Chapter third captures the research methodology with hypothesis preparation and the chapter four deals with analysis and interpretation of the data. The discussions of the findings, conclusion and recommendations will be the subject matter of chapter five.