CHAPTER-I

INTRODUCTION
1.1 INTRODUCTION
The Indian retail market is the fastest growing, highly competitive, complex and most dramatically changing retail market of the world for more than a decade. With the Indian economy picking up during 2003-04 to 2007-08 (Indian retail report, 2009) and the average annual growth recorded at 8.9% the Indian retail sector witnessed a robust growth of 11 percent during this period (Ernst & Young report, 2009). The strength of the sector is evident from the fact that even during the world slow down the sector witnessed a double digit growth. With the economy picking up in the retail sector is back into the path of growth. The retail sector is brewing with lot of activity as it is being looked upon as one of the most notable emerging sectors of the Indian economy. In the recent years this sector has continuously attracted significant investment and interest from leading national and international retail players (Govil et al. 2008). This transformation from a completely unorganised to an organised sector started as a result of removal of severe restrictions on FDI for retailing post 2005. In 2006, India allowed foreign companies to own up to 51% in single brand retail joint venture and as a result Indian retail got a boost. This partial relaxation of FDI norms pertaining to retail and the demographic changes in the Indian population have had a favourable impact on the growth of modern retail and as a result many international players are interested in investing in this sector (The Economic Times, 2006).

In the last few years, the spending habits of Indians have undergone major changes. The lifestyle of Indians has changed from spending on food, groceries and clothing to lifestyle product categories that deliver better quality and taste. The new modern retailers are trying to provide for these newly developed tastes and preferences. The new modern retail players initially focused on the fundamental building blocks of a successful retail model. Their focus has been on activities such as acquiring prime retail space nationwide as a result of which the prices of the real estate skyrocketed due to increased demand by the retail houses, designing and managing modern retail formats, developing and modeling procurement systems and supply chain
infrastructure and managing store operations. No doubt that these modern retail formats were initially able to attract high footfalls. But the need to develop a continuous understanding of the Indian customer’s preferences and buying behavior has been overlooked as the retailers were too occupied. Moreover, the initial enthusiasm shown by the Indian customers made them feel that there was hardly any need. There is a need to collect information that can be used to increase customer lifetime value. Indian shoppers are confusing in their diversity and uniqueness which needs to be understood so that strategies can be formulated to attract for increased footfall and retain them. It’s not only about acquiring them but offering differentiated products and services, bundled better and lucrative then the competitors. The customers will not last long by just opening a new store with a new format and increasing operational efficiency as scale becomes essential for increasing profitability. This can be done by understanding the consumers, incorporating their desires into the model designs and product designs for improving the services. The retailers need to stress upon training and development of store employees and for improving products, suppliers need to be made an integral part of the delivery systems. Today, retailing is about so much more than mere merchandising. It’s about enchanting customers, providing experiences that reflect their desires and aspirations, and working on long lasting relationships. As the Indian consumer evolves and competition grows they expect more and more from retailers each and every time when they steps into a store. Retail today has changed from selling a product or a service to selling a hope, an aspiration and above all an experience that a consumer would like to repeat. For building successful retail models, retailer need to think about their target shoppers, who they are, what they want, and how to serve them better and more competitively then their competitors.

The competitive landscape in India is becoming crowded with few entry barriers especially in some central areas and cities where the customer is all ready to choose organised format and leave behind the traditional formats. Everybody wanting to be the first among the competitors. But the growth has had speed breakers in the form of economic slowdown world over, retailing becoming a political issue in India with many people concerned with the impact of organised retail players with access to money and technology affecting the unorganised retail players which is a source of employment to millions in India. And adding further to the problems is the response
of the customers. Though initially the Indian consumer was all excited with the new retail places but soon the interest started weaning as to a large section of customers the new formats are perceived to add insufficient additional value, except for newness. The promises which the new stores seem to be making do not materialise. In a hurry to be the first in the market most of the retailers were ill prepared, with little understanding of the market as well as lack of trained and knowledgeable workforce. The new formats and expansions being introduced to Indian customers are adaptations of western formats. The differences in the choice and preferences between the foreign and Indian customers seem to be neglected and hence these formats are fetching moderate to lukewarm success. Several successful chains are currently holding back new expansions and few even closing down stores which were not profitable (Sinha, and Banerjee, 2004).

The Indian Retail sector has a big opportunity for both national as well as international players but these retailers need to understand the importance of strategic thinking and providing quality service to attain and retain customers. Global players are rolling out different formats in joint venture with local Indian counterparts. Domestic players like Pantaloon are upgrading their supply chains to be more competitive, and even the traditional Kirana store is undergoing format change and moving closer to changing customer expectations. The study is relevant as more and more retail managers are devoting a significant amount of time and effort to analyse the internal and external operating environments, in order to formulate strategies which make them winners with the customers. Retail planners and managers need to adopt a reflective approach to decision making and that means engaging more with the academics in order that a critical evaluation can be made of marketing policy and strategy related decisions. The result should be development of marketing knowledge. New insights generated can be converted into new theoretical approaches (Burton, 2005). This research focuses on the one important sector—retailing, in a fast evolving economy of India. The area of research is North India- which is viewed as very strategic for all the sectors of the economy. The study utilises the age old typology of porter to gain insights into the Indian organised retail strategies. The study also works into the strategic area of service quality with the help of service quality constructs developed and tested in several earlier studies. The research work has been carried out by collecting data from retail executives as well as customers of
the various retail organisations. The purpose of the study was to empirically identify the strategies being pursued by the organised retail players, determine whether different strategies are being pursued by different formats. Also to understand the store choice behaviour of the customers as this behaviour can be influenced by formulating effective strategies which help in image formulation in the mind of the customer. The retailers are using service quality as a strategy to differentiate themselves in the market; therefore the study ascertains the various dimensions of service quality as well as understands the nature of relationship between service quality and satisfaction. The area of retailing in India due to its recent developments is not a well-researched area. The study aims to present some important insights into the retail strategies as well as provide the retailers some information about the customer’s retail choice criteria so that they can target them successfully. In the next section, the study presents an overview of the Indian retail sector.

1.2 INTERNATIONAL RETAIL

On the global retail stage, little has remained the same over the last decade. Saturated home markets, fierce competition and restrictive legislation have relentlessly pushed major retailers into the globalisation mood. Towards the last decade of the previous millennium, the battleground has expanded to developing, where deregulation in the retail sector aimed at increasing foreign direct investment has resulted in multiplying of retail chains and new formats (Reardon and Hopkin 2006). The face of Indian as well as international retailing is undergoing change. Retail is the world’s largest private industry, one of the biggest contributors to the Gross Domestic Product (GDP) of most countries and also one of the biggest employers (McKinsey Report, 2007). This can be seen in countries like U.S.A, U.K, Mexico, Brazil, Thailand, Malaysia, Hong Kong, Sri Lanka and Dubai and more recently China (Srivastva, 2008). Economies of countries like Singapore, Malaysia, Hong Kong, Sri Lanka and Dubai are heavily supported and dependent on the retail sector. A supermarket revolution had occurred in developing countries in early mid 1990’s. In many countries, supermarkets have not only catered to middle class patrons but have also penetrated the food markets of the poor (Reardon and Gulati, 2008). The wonder growth in retail in the 1990’s led by firms like Wal Mart, TESCO, Giant, Makro, Carrefour,
Aeon, Ahold, Aldi, Metro and others was a result of the increase in the material wealth and cultural development and changes in advanced countries.

Table 1.1: World Retail Growth

<table>
<thead>
<tr>
<th>Growth Parameters</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales (USD billion)</td>
<td>11,100</td>
<td>11,900</td>
<td>13,200</td>
<td>14,500</td>
<td>13,900</td>
</tr>
<tr>
<td>Retail Growth Rate</td>
<td>-</td>
<td>7.2%</td>
<td>10.9%</td>
<td>9.8%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Online Sales (USD billion)</td>
<td>181</td>
<td>222</td>
<td>271</td>
<td>304</td>
<td>349</td>
</tr>
<tr>
<td>Online Growth Rate</td>
<td>-</td>
<td>22.7%</td>
<td>22.1%</td>
<td>12.4%</td>
<td>14.5%</td>
</tr>
</tbody>
</table>

Sources: Images F&R Research.

1.3 INDIAN RETAIL SECTOR

The retail sector which consists of those business activities, which are involved, in the sale of goods or services to consumers for their personal, family or household use started transforming in the 1990’s in India. This final stage in the distribution process for goods and services from manufacturers to final consumers, ranging from cars to apparels to meals restaurant to movie tickets (Berman and Evans, 2007) was estimated to be US$ 16 billion in size (ASSOCHAM, 2009). The BMI India retail report for the first quarter of 2011 forecasts that the retail sales will grow to US$ 674.37 billion by 2014, from US$ 392.63 billion in 2011 (Business Monitor International India retail report Q1, 2011). And all this is going to change as the Indian Union Cabinet clears 51% FDI in multi brand retail, as earlier India allowed 51% FDI in single brand retail and 100% FDI in the cash and carry format of the business (The Economic Times, 2011). Indian retail sector can expect the kind of growth experienced by China, Brazil, Indonesia and Chile where 100% FDI in retail sector is allowed.

Retailing most of all provides the benefit of utility of a place for purchase (Gilbert, 1999). This place of purchase in India was represented by small family owned stores, selling one particular category of product e.g., kirana shops, drug stores, located in the market place or residential areas, road-side stalls, hand-cart and pavement vendors etc (Shaoni and Bino 2008).
The Indian retail industry is divided into organised and unorganised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large businesses. Unorganised retailing on the other hand refers to the traditional formats of low-cost retailing, for example, the local Kirana stores; owner managed general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors etc (CCI Report, 2009)\(^{17}\). In the developed countries organised retail is in the range of 75-80 per cent of the total retail, whereas in the developing countries, the unorganised sector dominates the retail business. The share of organised retail varies from just one percent in Pakistan, 4 percent in India to 36 per cent in Brazil, 55 percent in Malaysia and 81 percent in Taiwan (Mathew et al 2008)\(^{18}\). The organised retailing in Asia is lopsided (Fernandes et al 2000)\(^{19}\) modern retail formats such as hypermarkets, supermarkets, superstores, discount stores and convenience stores are widely present in developed countries, whereas such forms of retail outlets have only just begun to spread in developing countries such as India. In developing countries, the retailing business continues to be controlled and owned by family-run neighbourhood shops and open markets. As a result, wholesalers and distributors who carry products from industrial suppliers and agricultural producers to the independently-owned shops and open markets, form an important part of the supply chain in these countries (Mathew et al, 2008)\(^{20}\). They can create economies as well as improve the delivery systems. Although organised retailing in India has been in practice for a long time in some product categories like textiles, branded shoes, these have been driven by the manufacturer. The changes the retail sector is going through today where the retailers are organising themselves started only in the last 10-15 years. In the 1980’s the manufacturers retail chains like DCM, Gwalior Suiting’s, Bombay Dyeing, Calico, Titan etc. started making appearance in metros and small towns but the multi brand retailers came into the picture in the 1990’s (CII-McKinsey Report, 2000)\(^{21}\).

In India government does not recognise retail as an industry. With no big investors, lack of adequate infrastructure and a small population who could afford to buy but believed in saving more rather than spending, Indian retail sector never attracted the interest of large corporations. The big players were not motivated enough to seek
investment opportunities. Retail in India had started with the concept of weekly markets, where all the traders gathered at one big place to sell their products every week. The people used to come to these weekly markets to buy the household items for the next one week. Village fairs and melas were also common and popular as they had more of an entertainment value. Once the people started getting busy with their lives and when they turned entrepreneurial, there emerged the mom and pop shops and the kiranas in the neighbourhood. In rural we can till date find the existence of this system with little modernisation. After independence, came into existence the system of Public distribution of foods through the ration shops where food grains, sugar and oil for the daily consumption were distributed at subsidised rates through the government ration shops (Bynavdanya, 2007). India has often been referred to as a nation of shopkeepers where there is one shop per 96 individuals. But all this is fast changing owing to the entry of various national and international players in the retail sector and the increasingly sophisticated consumer. We are witnessing a revolution where a typical general store, stacked with barrels, bins, and sacks filled with everything from soaps to pickles is fast losing its customers to the new formats such as departmental stores, hypermarkets, supermarkets and specialty store. Also advances in information technology and as a result of retailing focusing on needs of particular consumer groups by segmenting them has brought widespread changes in the retailing sector. The Indian consumer is going through an attitudinal shift with his choices and preferences undergoing change due to revolution in communication systems, exposure to international standards and increase in education and employment. They are also demanding value for the money with empowerment brought along by consumer reforms and education and also more competitors seeking their money and attention. And the emergence of organised retail formats has transformed the face of Retailing (Sivasankar and Bineeth 2007). It seems strange that this important sector of the country’s economy has been overlooked by corporate giants as Indian retail has been a traditionally unorganised sector, dominated by counter-stores and street vendors. While retail employs a large sector of the population, most of these people are uneducated, unskilled individuals that regard retail as the preferred career alternative to agriculture. But these people lacked the resources as well as the entrepreneurial will to develop the sector or expand their business. Retail never enjoyed the support of the Indian consumer. The Indians never treated shopping as a form of leisure. While individual and the small time retailers
saw small gains in any expansion, lack of infrastructure, an unattractive Indian consumer and absence of regulation never provided the scale that retail giants could capitalise on. Meanwhile, the government preferred not to take any initiative while this unorganised retail sector provided a meager standard of living to millions in a country where majority of the population finds it difficult to meet the ends. The unorganised retailers survived on thin margins and low volumes, while the corporate giants preferred to spend their resources in areas like power, industrials and telecom where the large scale opportunities were abundant.

Today the retail industry has witnessed a remarkable transformation. Organised retail accounts for 7 percent of India's roughly $392.63 billion retail market and is expected to reach 20 percent by 2020. The international consulting firm, A.T. Kearney, annually ranks 30 emerging market economies based on more than 25 macroeconomic and retail-specific variables through their Global Retail Development Index (GRDI). And according to this index for three consecutive years 2005, 2006, 2007 and then again in 2009 India retail sector held the top position. India lost its top position to Vietnam in 2008 because of the increased real estate prices and highly competitive market. India had been ranked as number one indicating that the country was the most attractive market for global retailers to enter. India's strong growth fundamentals, with the population expected to increase from 1.19bn in 2010 to 1.25bn by 2014, forecasted yearly growth of 8.7 percent through 2016; high saving and investment rates; fast labour force growth; and increased consumer spending forecasted increase for consumer spending per capita is from US$793 in 2010 to US$1,160 in 2014, make for a very favourable retail environment. India is reigning at 4th spot in the 2011 A.T. Kearney Global Retail Development Index (A.T.Kearney, 2011)\textsuperscript{24}. As has been the case for several years, Indian consumers continue to urbanise, have more money to spend on non-food purchases, and have more exposure to brands. The result is a powerful, more discerning consumer class. The positive growth in economy is definitely going to play favourable for retail growth.
### Table: 1.2: A.T. Kearney Global Retail Development Index, 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>2011 Rank</th>
<th>2010 Rank</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Uruguay</td>
<td>2</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Chile</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>India</td>
<td>4</td>
<td>3</td>
<td>-1</td>
</tr>
<tr>
<td>Kuwait</td>
<td>5</td>
<td>2</td>
<td>-3</td>
</tr>
<tr>
<td>China</td>
<td>6</td>
<td>1</td>
<td>-5</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>7</td>
<td>4</td>
<td>-3</td>
</tr>
<tr>
<td>Peru</td>
<td>8</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>U.A.E.</td>
<td>9</td>
<td>7</td>
<td>-2</td>
</tr>
<tr>
<td>Turkey</td>
<td>10</td>
<td>18</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: The 2011 Global Retail Development Index by A.T. Kearney

### 1.3.1 Organised and Unorganised Retail in India

India at the time of its independence in 1947 was in the clutches of a vicious circle of poverty characterised by very low per capita consumption and one of the lowest income levels in the world. Retailing was focused more on the basic necessities rather than luxury. In terms of retail institutions, it was mainly mom-and-pop stores known as kirana stores run by individuals and the wet markets or bazaars. There were also the government-run public distribution shops (PDS) as well as different co-operative stores. All these stores were having counter-service and self-service was not known option. Even in the early 1960s, it was reported that there was not a single supermarket in all of India (*Westfall and Boyd, 1960)*.

Over the years, more and more counter-service format stores came up all across the country and by the turn of the century it was almost 12 million (*Economist, 2008*). The majority of these stores focused on food and grocery in the form of fast-moving consumer goods (FMCG) items and sold at maximum retail price (MRP). Many of the stores provided credit to customers. The number of grocery kirana stores still dominated the Indian scenario, in value terms it is the wet markets which were estimated to be accounting for about 70 per cent of food and grocery retail sales until
the end of last decade (Jones et al, 2005). Traditionally retail in India has served as a source of employment for relatively low income groups seeking livelihood with minimal education or skill because people with fewer skills can well adjust themselves in this sector. Therefore, large sections of Indian population who cannot seek employment elsewhere in the economy tend to seek refuge in this sector. Moreover, it also offers scope for self-employment. In India there are huge proportion of street vendors and hand cart pullers who capture a considerable share of retail business because of convenience of serving at door step they are able to offer the customers. Apart from them, illegal road side stall and mom and pop store dominate the neighborhood, offering employment mostly to young less educated and low skilled group families in dire need of employment.

The Indian governments have adopted a policy of increased liberalisation, opening up of several sectors including telecom, aviation, and insurance which were previously nationalised. The post 1991 economic reforms have been significant in bringing changes in several sectors in the economy and leading the nation on the path of employment and income generation. The recent growth in retail has been fuelled by positive changes in the government policy, increased investment in infrastructure, foreign direct investment, a steady shift towards higher income classes and population shift toward urbanisation. The growth is more definite in Metro cities; however the small towns are also not lagging behind in this with around 50 cities of over one million populations, many of which are largely untapped, there are clearly substantial opportunities for the retail sector to grow. (Jones Lang La Salle Meghraj report, 2007). Both Demand side factors as well as supply side are responsible for bringing the organised retail revolution. On the demand side factors such as urbanisation, entry of women in workforce, increased paucity of time with the females and their want of convenience, greater access to means of transportation, spread of consumerism and increase in the per capita income of people. The supply side factors are FDI, relaxation of government norms, improving infrastructure and logistics, adoption of new practices such as ECR, inventory management practices that minimize inventory in hand.

As a result the structure of Indian retail sector witnessed rapid changes with emergence of modern large scale formats such as supermarkets, specialty stores, chain store, department stores, hypermarkets, factory outlets and discounters. In addition to
these formats, the emergence of malls has also transformed the retailing environment. Another significant trend is the development of combination of retail and entertainment centers.

1.3.2 Emerging New Retail Formats in India

The wheel-of-retailing by McNair (1931, 1958) hypothesis explains one reason that how a new store type emerges. According to this theory, new retailers often enter the market place with low prices, low margins and low status. Subhiksha (out of operation now) and Vishal Mega mart are good examples of this in the Indian organised Retail sector. New competitor’s low prices are usually the result of innovative cost cutting procedures and soon attract imitators. Gradually as these businesses attempt to broaden their customer base and increase sales, their operations and facilities become more elaborate and more expensive. The higher costs provide an opportunity for the new store forms to offer lower prices and fewer services (Lambha, 2003). The retailers may move to more desirable location, begin to carry higher quality merchandise, or add services. For example in the developed nations supermarkets have undergone many changes since their inception in 1921. Initially they offered limited services in exchange for lower food prices. However over time they developed a variety of new services, including free coffee, gourmet food section and children’s play area. Similarly departmental stores such as Sears started out as high volume, low cost merchants competing with general stores and other small retailers; discount store later developed in response to the rising expenses of services in the department store (Gilbert, 1999). Retail store types pass through stages of growth and decline that can be described as the real life cycle. A type emerges, strives to fill the niches in a dynamic retailing environment, enjoys a period of accelerated growth, reaches maturity, and then declines (Pride and Ferrell, 2006).

But in the Indian scenario we are witnessing introduction of several retail formats simultaneously rather than a ‘sequential’ introduction of formats. Indian retail has seen the competition growing everyday with Aditya Birla group and Bharti group foraying into the market with more lucrative offers. Therefore though India would see formats like hypermarkets and cash & carry that drive value and shopping convenience together they would co-exist with retail formats such as specialty stores and convenience stores which are closer to consumer (Sinha, 2006). Modern retail
formats in India grew by 25 to 30% during the past 5 years (post 2007) and could be worth $175 to 200 billion by 2016 (Majha, 2007).16

1.3.2.1 Retail Formats at a Glance:

I. **Department Stores:** Department stores are large retail organisations which are usually multi-tiered employing at least 25 people and characterised by wide product mixes. To facilitate marketing efforts and internal management in these stores, related product lines are organised into separate departments such as cosmetics, house wares, apparel, home furnishing, and appliances (Lambha, 2003). It seems like a collection of specialty operations all under one roof having one owner. These retailers are distinctly service oriented. Their total product includes credit, delivery, personnel assistance, merchandise return, and a pleasant atmosphere. Department stores first appeared in the mid-1800s in America and Europe, as mostly dry goods stores organised by departments. Later on in the late 1800s, they added an assortment of other goods and services and soon evolved as the precursor of the modern shopping center: everything under one roof. They were thus quite revolutionary and they represented a major social innovation, not just a business one. In fact, it is fair to say that the department store was a major force in creating a culture of consumption for the world, not only in America but in Europe and elsewhere as well.14

Several local department store chains have opened shops in India in the past five years. It is believed the convenience factor coupled with the aspiration perception of shopping in a department store has contributed to their growth. The larger chains of department stores (Namely Pantaloons’, Shoppers’ Stop, Westside, and Lifestyle) have presence in the metros and mini metros.

II. **Supermarkets:** Supermarkets are large, self service stores that carry a complete line of food products, as well as some non food products, such as cosmetics and nonprescription drugs. Supermarkets are arranged in departments for maximum efficiency in stocking and handling products but have central checkout facilities. They offer lower prices than smaller neighborhood grocery store. These stores offer convenience of shopping by making available a large variety of products at one place. Some of the well
known supermarket chain includes Food Bazaar, Nilgiris, Food World, Apna Bazaar, Trinethra etc.

III. **Hypermarkets/Discount stores:** A hypermarket took birth in France. It is a store which combines a supermarket and a department store. The result is a retail facility which carries an enormous range of products under one roof, including full lines of fresh groceries and apparel. It is a large format store that aims at retail consolidation by being a single point contact between the brand owners and customers. They are planned, constructed, and executed in a manner that a consumer can ideally satisfy all of their routine weekly shopping needs in one trip to the hypermarket. Large varieties of products are available at reasonable prices with discounts built in for volume purchased. They allocate 40 to 50 percent of their space to grocery products and the remainder to general merchandise including athletic shoes, designer jeans and other apparel: refrigerator, television and other appliances; housewares, cameras, toys, jewelry, hardware and automotive supplies. This is possible because of economies of large scale operations. In India there is a high viability of hypermarkets due to the fact that these formats translate best the aspirations of today’s consumer and fulfill their needs in the way they want. Reliance Mart, Easy Day Market, Big Bazaar, HyperCity, Spencer’s, Star India Bazaar are examples of hypermarket formats. Hypermarkets, besides providing a wholesome range of products and services, facilitate convenient customer service and low price.

IV. **Specialty Stores:** In contrast to general merchandise retailers with their broad product mixes, specialty retailers emphasise narrow and deep ones. Specialty stores as the name suggests are stores that specialises in a particular offering. A specialty store carries a deep assortment within a narrow line of goods. Furniture stores, florists, sporting-goods stores, and Book stores are all specialty stores. Examples of specialty stores in India would include Planet Sports, aLL, Vijay Sales, Planet M, Musicworld, Crossword, Ferns and Petals, Godrej Group’s speciality stores in four categories home appliances, home furniture, office furniture, non-apparel lifestyle products etc.

V. **Seamless Mall:** Seamless mall is a format which is relatively new in India but very popular as we just had one mall in 1999, 158 in 2005 to 600 in 2010. In
this format, various brands operate their retail areas without any wall between them, providing a seamless shopping experience. This makes it possible for shoppers to compare brands with ease while they shop. This also means that the store can reallocate space more easily based on merchandise/brand performance and customer feedback. Besides offering apparels, accessories and lifestyle products these malls are also equipped with entertainment and leisure facilities. Central is an example of a seamless mall. Shopping malls which were unheard in India a decade ago are now visible across the country. Attracting more and more investment malls have grown fast in the Indian retail market due to healthy and growing economy and huge disposable income of the country. Fun republic, Ansal Plaza malls, Parsavnath malls, MGF plaza, DLF mega malls, Omaxe malls, MGF malls are few of the names.

VI. Category Killer: The category killer concept originated in the U.S. due to abundance of cheap land and the dominant car culture. Category Killer is a kind of discount specialty store that offers less variety but deep assortment of merchandise. By offering a deep assortment in a category at comparative low prices, category specialist can be able to “kill” that specific category of merchandise for other retailers. Generally such kind of retailers uses a self service approach. They use their buying power to negotiate low prices, excellent terms and assured supply when items are scarce. In India this kind of retail stores are not prevalent at this point of time. But there is scope for such kind of format. In India, Mega-Mart is one sort of category killer which sells apparel products.

The penetration of the organised retail in India remains slightly below 7%, domestic major retail players have announced aggressive expansion plans even as plethora of new flashy malls are mushrooming in metros and second rung cities. Retailers are faced with the touchy task of creating formats that integrate the best of west without offending the sentiments of Indian customers. This is particularly true for the tier II cities where customer do not have metropolitan outlook. Shoppers’ Stop, Pantaloon, Trent, RPG group, Provogue, Brand house(S Kumar’s) and Max retail are rolling out ambitious plans across Indian metro’s, tier 1 and tier 2 cities.

The tool developed by Porter known as Porters five force model helps us in identifying the opportunities and threats facing the Indian retailer. The model helps us
to understand the dynamics of Indian retail sector. The Porter’s five force model has been the most famous model used for analysing the business environment (Porter, 1980). This model has become a standard of comparison for most new theories and models that look at the external environment of a company and therefore the industry in which the company competes. In the following section Porter’s model has been applied to the Indian retail sector.

1.4 APPLICABILITY OF PORTER’S MODEL ON INDIAN RETAIL MARKET

In recent years, retail activity in India has undergone many changes both in the types of populations and the range of products. The Retail sector characterised by features such as, offering employment to millions of people, existence of traditional trade Kirana shops, drug stores, located in the market place or residential areas, road-side stalls, hand-cart and pavement vendors etc., has witnessed major changes post 1991 economic reforms. Though earlier mainly represented by the low-cost ‘mom-and-pop’ store format, retail today is emerging has a huge “industry”. The major shift has been the emergence of an organised sector within the retail industry, an early stage of development of electronic commerce.

1. The threat of new entrants (High): In the retail sector, barriers to entry are relatively high as opening and operating the retail store is cost intensive (McKinsey Report, 2008). High rentals and large work force are involved. But there is no need for a long time or financial resources that cannot be attracted to open a store at a smaller scale. But to grow significant investment is needed and greater economies of scale. Exiting the business at any point of time is not difficult. It takes 3-5 years to break even (Knight Frank, 2010). The major international retailers entering the market in India are a tough competition for the small traders. But if the unorganised retailers are put together, they are parallel to a large supermarket with little or no over-heads, a high degree of flexibility in merchandise, display, prices and turnover. Vertical structure and centralised procurement of large retail chains have a competitive advantage over independent retailers. Like the Pantaloon retail India Ltd which is part of Future Group. Future Group has “Future Logistics” as one of its verticals. Pantaloon retail gets an advantage because of this. The
entry of major global players and larger Indian corporate houses into the arena, along with the booming services sector and the growth in disposable income is expected to provide stimulus to this boom. Realising the potential in India’s real estate market, several overseas companies including several U.S. funds are raising billions of dollars to invest in the market. According to a recent report, investors are attracted to invest in India; especially in new retail properties as the yield from such investments are considerably higher than elsewhere in the world. Typically, malls in India have a yield of 10-12% compared 5-6% in more mature markets (Government of India Planning Commission, 2008).

II. The bargaining power of suppliers (High-Medium): High to medium for retail spaces; medium to low for products and services. Due to speculations of high growth potential of organised retail, real estate developers stared with multiple projects. Suddenly there was emergence of hundreds of real estate companies developing malls and shopping centers. As a result now there seems to be excess of retail space supply in pipeline. Therefore the bargaining power of retailers has increased against real estate developers for lower rentals or adoption of alternate lease model such as revenue sharing. Majority of these spaces are having no occupancy due to high costs.

Bargaining power of vendors of products varies from product hugely upon whether the product is branded or unbranded and on the nature of relationship with the supplier. The number of suppliers is large and scattered in India. As the consumer goods industry dynamics change, a new set of priorities for retailers is emerging. The top priority list are included aspects such as optimising and streamlining the product range of products, optimising structures, procurement, review of capital expenditure, increasing store productivity, reduce inventories. There is a need to have a formalised relationship with the supplier who is prepared to evolve his services according to the increasing sophistication of the retail sector. The suppliers of today need expertise that covers a broad number of skills. They must be prepared to become more than just suppliers of products for retailers, so they should be data providers to help them in the process of retailing activity. Manufacturers who fully understand the business model of today’s new retailer and will be
able to adapt the set of priorities imposed by them will have a major competitive advantage.

III. Bargaining power of buyers (High): is high in organised sector because of many retail players. To increase power and to retain customers, retailers seek to differentiate products and create strong brands. The competition is also from unorganised players offering greater personalised services. The modern organised retail is concentrated only in top cities and very few II tier cities leading to more competitive retail environment targeting only the middle class.

IV. Threat of Substitutes (High): Neighbourhood mom and pop stores, standalone shops selling readymade garments, electronic equipment, consumer durables, fruit and vegetables vendors, cluster of shops and other outlets as a part of unorganised retail, all are close substitutes of various modern retail formats. The modern retailers have led to several structural changes in the organised retail sector too. And moreover the modern retail formats are a substitute to each other as well. A hypermarket can substitute a supermarket or a specialty store and vice-versa. Most people shop at both local grocery shops and supermarkets despite growing inroads of organised retail (Lapoule, 2010).

V. Competitive rivalry (Medium): in the last few years many players have entered the market Future group, Raheja Group, Landmark Group, Reliance retail, Aditya Retail, Vishal Bharti, Bharti Wal Mart and few others. In the present the industry concentration is low and therefore not a situation of high competitive rivalry. But this is going to change soon with the cabinet allowing 51% FDI in multi-brand retail and thus opening the doors of Indian retail market to global retail giants who had been lobbying for it.

VI. Threat from Legal system (High): the retail sector in India does not have the status of the industry. The government of India allowed FDI in the retail under two categories. In 1997, 100% FDI was allowed in the wholesale cash-and-carry trade, under the government approval route. In 2006, however, it was brought under the automatic route. In 2006, FDI of up to 51% in single-brand retailing was permitted. Of the 94 proposals received since then, 57 had been approved till May 2010. There are certain laws pertaining to the establishment
of stores and conduct of activities, which retailers need to follow. Approximately 37-45 licenses are required to start retail operations *(A.T.Kearney, 2008)*

It can be observed that the regulatory environment is not very friendly to the growth of organised modern retailing in India. In addition to the above laws, the Retail companies have to follow certain regional rules and regulations on the basis of their stores location; different states have different laws to regulate the retail trade. The Land conversion process is complex along with the huge number of licenses needed. Taxes are different from state to state on goods movement. For example, some states levy entry tax; a few levy exit taxes; there is the central sales tax (CST) on inter-state sales and value added tax (VAT) on different products *(Kalhan and Franz, 2009)*

1.5 THE SLOWDOWN OF RETAIL SECTOR AND ITS STRATEGIC IMPLICATIONS FOR RETAIL PLAYERS

The Indian retail market saw a slump following the global recession and is now recovering, emerging as one of the top attractive investment destinations. The slowdown led to some damage to the retail industry but the Indian retail sector bounced back to the growth very fast. The Retailers Association of India revised its estimates for organised retail penetration to 10.4% in 2012 from 16%. The recession proved an opportunity for domestic and foreign retailers to optimise their store portfolios and drive more profitable growth in India. It gave retail sector the much needed speed breaker. The retailers need to evaluate the Indian consumer rather than just assuming that whatever will be offered will be welcomed by the consumers. The slowdown made them pause and evaluate the consumer as well as competition. It has been seen that the domestic players are selectively growing in India, postponing aggressive expansion plans, closing down stores with low footfalls, adding stores judiciously and shifting gears to tier 2 and 3 cities. Aditya Birla Group plans to open about 100 supermarkets and 10 hypermarkets by mid-2011 but closed around 70 unprofitable stores during and after 2009. Spencer's is expected to add up to 25 hypermarkets through 2012. Reliance Retail, India's organised retail leader, plans to open 150 Reliance Trends apparel and accessories stores in the next year. Foreign players are also adding stores—the United Kingdom's Marks & Spencer is planning...
50 retail outlets in the next five years. Wal-Mart is planning up to 12 outlets in its wholesale format by the end of 2011, and Metro Group plans 50 wholesale stores in the next five years. International food retailer Spar plans to open another 24 hypermarkets in the next two years. Zara opened in Delhi and Mumbai last year, has already added a third store in Delhi and, after early success, plans to expand across India. Carrefour entered India in December 2010 with its first wholesale cash-and-carry store and has plans to open more stores by end of 2011.

Though the real retail activity will take place in bigger cities in coming years, retailers have started focusing on tier 2 cities to gain the early-mover advantage and to get in while the real estate is still available. The increased salaries and growing aspiration levels of tier 2 consumers is allowing the neighborhood store, the large-format retail store and the foreign investor-funded retail store to coexist. Retailers with plans to enter tier 2 cities include Spencer's, Spar, Reliance Retail, Pantaloon Retail, Shoppers Stop and Trent's Westside.

But increasing competition, slowing down of economies is increasingly making it essential for companies to review their positions. The entertainment and curiosity value of the new formats is fast diminishing for the consumer who is no longer satisfied with the blanket proposition offered by them (Kureshi et al, 2007). To be successful retailers have to attract and retain consumer spending profitably. Consumers nearly always have the opportunity to change their shopping behaviour. They assess and reassess the shopping opportunities available to them. As a result they may change their behaviour by switching between stores or retailers. The ability to generate change in behaviour and then to retain the “switched” customer is a critical long-term success factor for retailers. Similarly, the ability to reduce switching to rival retailers by valuable consumers will lead to a competitive advantage (Findlay and Sparks, 2008). In order to cater to the increasing complexity in the market place the Indian retailer will need to know his customer and design a unique value proposition for his segment. The times are forcing the retailer to examine its environment and clearly rethink its vision of itself and its mission; thereby the retailer has begun to think strategically. A firm defines its strategic planning horizon by identifying its core business and developing general guidelines about how the business will be managed. With basic policies and target levels established for risk and profit, the firm can then select appropriate strategies. Strategies are actions taken
to utilise the firm’s resources in the best way to take advantage of external opportunities. Managers must decide which strategies are most likely to generate a competitive advantage for their firm.

The consumer trends are fast changing with some leading and others following the trends. The increased collection of consumer data reflects the changing choices and preferences. Today’s consumers are increasingly willing to purchase time and convenience and have much higher levels of marketplace sophistication as they browse various features, prices, labels, products and an assortment of retail formats (Dunne and Kahn, 1997). Indeed, retail competition concerns value not just price, as price is only a part of value. According to Berry (1996) a retailer needs at least five types of benefit in their bundles: (1) a dominant merchandise assortment, (2) fair prices, (3) respect for customers, (4) time and energy savings, and (5) fun.

Today’s retailers face a challenge of being big in the retail business to compete and to be noticed. The growth of large multiple retailers can be attributed to this fact as evident for many decades. As a result the search of the benefits of scale is the uppermost in many strategic decisions. The scale related benefits of operation makes it a favourite strategy among many different types of retailer (Bartlett and Peterson, 1992). But thinkers like Dawson (2001) however, points out some of the growing problems associated with increasing scale that include: retaining customer responsiveness and keeping in touch; keeping a focus on the competition; entering new markets; new diversification strategies; supplier relationships; other retail relationships; management of mergers and acquisitions; marketing execution; and relationships with financial institutions and governmental agencies. As a result the retailer loses focus giving an opportunity for competitors to win his customers. The retail strategies need to be used by the retailers so that they influence upon a retailer’s ability to bundle the retail strategy mix in a way that builds loyalty (Morganosky, 1997). Dunne and Kahn (1997) highlighted four main trends that will have an impact upon future strategic choices: an increasing reliance upon global sourcing so that the retailer is able to avail the best product at lowest price; continued development of partnerships with channel members aiming to increase customer satisfaction; development of new retail formats; and, continued growth in the use of “private” or “own” labels by retailers. The task of managing the marketing mix has grown considerably over the past decade and as retailers constantly seek to create and
sustain unique trading images that attract and maintain customers (Gilbert and Ballou, 1999). Competition is no longer between products, but encompasses all elements of this mix, including: product offer and positioning, store location, customer service, quality, retail design and store image, retail promotion, retail advertising, price points and other channel members. The successful retailer of the next century will have to adopt core strategies that

1) Build an individual identity for each store product; one that consumers perceive as a brand in its own right. Everything in the store, or connected with the store, has this brand value underlying its philosophy.

2) Provide a higher value than any competitor, but at a lower cost.

3) Offer unique products and services.

4) Supply a unique customer service through convenience and added-value.

The Indian retail landscape started changing dramatically in last few years. The overwhelming response and growth made it a lucrative sector for domestic and foreign players. But now it is time for retailers to align their strategies according to the changing needs of the customers. According to Lewison (1997) there are three elements associated with the retail strategies: choosing a retail format, targeting a specific group of consumers and arriving at a defensible competitive advantage. The aim of this study is to identify the strategies being pursued by the organised retail players in the North Indian market. North India, which constitutes a third of the country’s land area and 30% of its population, has grown slower than the average national growth in the past decade but has huge untapped resources to drive its growth. The region comprising Jammu & Kashmir, Himachal Pradesh, Punjab, Haryana, Delhi, Rajasthan, Uttarkhand and Uttar Pradesh contribute around 35% to national exports and over 30% of the country’s manufactured output. The Northern region has huge strength in agriculture and a large consumer market, which it needs to tap. The investment climate in North is improving and so is the infrastructure.

1.6 NEED OF RETAIL SECTOR RESEARCH IN NORTH INDIA:

- North India is worth studying as it consists of politically and economically important states of India.
• North India has a growing retail sector, Delhi, Chandigarh, Noida, Gurgaon, Jaipur, Ludhiana, Amritsar are on priority list of various national and international retail players. These cities are on the list of real estate developers and retailers as they have a substantial consumer spending such as Ludhiana, Jaipur is the India’s most important tourist city growing rapidly, Chandigarh is the most rapidly growing Information Technology hub. There is a lot of Mall development taking place in these cities and they are being referred to as the Retail hub.

• Many new towns and cities in North India will see retail explosion. The retail activity is not limiting itself to main cities but adjoining lesser known areas.

• North Indian market differs from the rest of the Indian market. The spending and consumption habits diverge in different parts of India due to economic and cultural differences.

• Social and managerial relevance of research.

1.7 EMERGENCE OF THE PROBLEM

A good talent pool, unlimited opportunities, huge markets, and availability of quality raw material at cheaper costs are expected to make India overtake the world’s best retail economies by 2042. While the concept of retail is not new in India, modern retail concepts are fairly new, which would need the industry to share knowledge and great exposure to international retail brands. A number of large corporate houses Tata’s, Raheja’s, Piramals’s, Birla’s and 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. Every retail category has been attacked, by the organised players today. 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. Taking into account the character of the industry and the wide spectrum of stakeholders, one would expect an extensive body of knowledge concerning retail consumer customers contributing to the profitability of the industry. But as the retail has emerged at witnessed lightning speed not much research work has been done. Although a lot of
research work is presently being carried out. The research gap widens further in the context of North Indian market as the organised retail reached the southern peninsula little earlier.

So it becomes essential that the organised players develop efficient and effective strategies to be able to unleash retail potential of the Indian market.

According to Arpita Mukherjee and Nitisha Patel (2005) Organised Retailing is defined as: “Any retail outlet chain (and not a one-stop outlet) which is professionally managed (even if it is family run), has an accounting transparency (with proper usage of MIS and accounting standards) and organised supply chain management with centralised quality control and sourcing (certain part of sourcing can be locally made) can be termed as an organised retailing in India.

1.8 NEED AND SIGNIFICANCE OF THE STUDY

The need and significance of the study can be summarised as following:

- This study aimed at identifying factors important to the customers while choosing a retail outlet and strategies being adopted by the major retail outlet players in the organised sector. There has been a complete change in the concept of shopping with the consumer becoming highly demanding for better services and information. Store choice has been found to be dependent on background of consumers, their personality and past purchases (Dodge and Summer, 1969), situational factors (Mattson, 1982), cost incurred and utilities derived (Bell et al, 1998).

- The review of literature helped us in identifying various retailing strategies being pursued by retailers in the foreign developed markets and also understanding as to which strategies can be adopted in the organised retailing sector in India. In today’s dynamic environment, retail strategic choice cross traditional boundaries and extend beyond short term merchandising and operational decisions (Johnson, 1987).

- A retailer’s true success lies in understanding the demands of the consumers and formulating the success strategy based on that. There is still vast scope for research and analysis as the retailing environment changes rapidly, leading to changed shopper expectations and realignment of the choice set of stores.
This phenomenon gains greater significance in the Indian market, with the introduction of larger and more diverse retail formats by organised retailers.

- A variety of formats are being rolled out most of them inspired by the Western markets with mixed success. Both retailers and shoppers are currently in an evaluation phase with no clear verdict as to what may drive the choice of stores in the longer term. The newly established stores are able to attract shoppers into stores due to its ambience and fresh concepts, but they are finding conversions into purchases to be lower than expected and hence lower profitability for retailers. Rapid evolution and adoption of new technologies present both opportunities and risks for companies seeking to innovate. Thus, it may be worthwhile to offer recommendations for enhancing customer orientation of organised retail sector.

The Indian scenario is witnessing introduction of several retail formats simultaneously rather than a ‘sequential’ introduction of formats. Although India is being exposed to formats like hypermarkets and cash and carry that drive value and shopping convenience together they would co-exist with retail formats such as specialty stores and convenience stores which are closer to consumer (Sinha, 2007). Hypermarket is emerging as the most favorable format for the time being in India. The arrival of multinationals will further push the growth of this format. Convenience store (or its variation) format is the best way to compete with unorganised retailing has been discovered by the early entrants.

1.9 RESEARCH OBJECTIVES

The research objectives of the study are as follow:

1. To identify factors considered important by the customers while choosing an organised retail outlet for a visit.

2. To study existing customer attraction and retention strategies being pursued by organised retail outlets.

3. To examine the strategies being pursued by different formats of organised retail outlets.
4. To explore level of satisfaction of customers with the services and product offerings of the organised retail outlets.

5. To identify gaps if any in the perceived satisfaction level of customers vis-à-vis management of the organised retail outlets.

6. To suggest strategies for customer retention and differentiation for the organised retail outlets.

When accomplished, these objectives can help to provide logical strategies for managers of retail outlets, enabling them to provide better service quality to the customers, in a new retail environment. Understanding the customer behavior and buying pattern helps the retail managers in providing solutions to various marketing problems. As the retailer has limited resources he has to understand the retail environment well (Applebaum, 1951).

### 1.10 HYPOTHESES

The hypotheses formulated for the present study are as follows:

<table>
<thead>
<tr>
<th>Research Issues</th>
<th>Research Issue Testing/Hypotheses</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>What are the factors that are considered important for retail store outlet selection?</td>
</tr>
<tr>
<td>H1.1</td>
<td>There exists significant difference in the importance of attributes for choosing a retail store across age.</td>
</tr>
<tr>
<td>H1.2</td>
<td>There exists significant difference in the importance of attributes for choosing a retail outlet across gender.</td>
</tr>
<tr>
<td>H1.3</td>
<td>There exists significant difference in the importance of attributes for choosing a retail outlet across Income.</td>
</tr>
</tbody>
</table>

| R2              | What are the existing customer attraction and retention strategies being pursued by ORO? |
|                 | H2.1 Organised retail outlets in North India are pursuing Porter’s generic strategies. |
|                 | H2.2 Cost leadership strategy is being pursued by organised retail outlets. |
|                 | H2.3 Differentiation strategy is being pursued by organised retail outlets. |
|                 | H2.4 Focused strategy is being pursued by organised retail outlets. |
|                 | H2.5 There exists significant difference in strategies being pursued by different formats i.e. department stores, hypermarkets, supermarkets, specialty stores and category stores. |
### R3
What is the association between service quality factors and retail stores attributes on overall customer satisfaction?

<table>
<thead>
<tr>
<th>H,3.1</th>
<th>Service quality dimensions and product offering of Retail store customers have significant influence on customer’s perceived quality.</th>
</tr>
</thead>
<tbody>
<tr>
<td>H,3.2</td>
<td>Tangibles have a significant influence on customer’s perceived quality.</td>
</tr>
<tr>
<td>H,3.3</td>
<td>Empathy has a significant influence on customer’s perceived quality.</td>
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<tr>
<td>H,3.4</td>
<td>Reliability has a significant influence on customer’s perceived quality.</td>
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<tr>
<td>H,3.5</td>
<td>Assurance has a significant influence on customer perceived quality</td>
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<tr>
<td>H,3.6</td>
<td>Responsiveness has a significant influence on customer perceived quality.</td>
</tr>
<tr>
<td>H,3.7</td>
<td>Product offering has a significant influence on customer perceived quality.</td>
</tr>
<tr>
<td>H,3.8</td>
<td>Retail specific attributes have a significant influence on customer perceived quality.</td>
</tr>
</tbody>
</table>

### R4
What is the influence of service quality dimensions and product offering of Retail outlets on customers’ satisfaction?

<table>
<thead>
<tr>
<th>H,4.1</th>
<th>All the eight Service quality and product offering related dimensions of Retail store customers have significant positive influence on customer satisfaction.</th>
</tr>
</thead>
<tbody>
<tr>
<td>H,4.2</td>
<td>All the eight service quality and product offering related dimensions have significant influence on propensity to recommend a retail outlet.</td>
</tr>
<tr>
<td>H,4.3</td>
<td>All the eight service quality and product offering related dimensions have a significant influence on Switching intentions.</td>
</tr>
<tr>
<td>H,4.4</td>
<td>There is significant difference in the quality of services rendered as perceived by the management and the customers of the organised retail outlets.</td>
</tr>
</tbody>
</table>

### 1.11 RESEARCH DESIGN
The thesis is conducted using a multi faceted, multi method research approach (Brewer and Hunter, 1989). The research design draws on the extant literature within the domain of a growing retail sector, strategies important for retailers in competitive environment, service quality and retail service quality, within the framework of growing economy. In order to best address the research issues both qualitative and quantitative research methodologies are employed.

1. To collect retail store choice and retail service quality information from consumers and retailers in North India, in the states Punjab, Haryana, Rajasthan and Uttar Pradesh.
2. To investigate the customer attention and retention strategies being used by retailers in North India.

3. To further develop the survey for management to identify the strategies being pursued by various retail formats.

4. To develop and test a quantitative survey questionnaire of retail service quality using the SERVQUAL scale, taking into consideration other two scales which are inspired from it SERPERF and RESQUAL.

Part I of the study involves an empirical investigation of the store choice attributes considered important by customers while choosing a retail outlet. A questionnaire was developed with the help of review of literature and qualitative inputs from retail experts to make it relevant to the Indian population. Exploratory factor analysis and ANOVA tests have been used for data interpretation. The study also identifies differences in store choice across demographic factors.

Part II of the study required an empirical investigation into the strategies being pursued by retail outlets in North India to attract and retain customers. The porter’s generic strategies framework was used to develop a questionnaire for the retail executives. Exploratory factor analysis, Cluster analysis and cross tabulation tools were used for interpretations and conclusions from the data. It helped in identifying strategic groups which exhibited similarities on aspects such as cost structure, segmentation, operations, degree of product differentiation and diversification.

Part III of the study was conducted by replicating the existing scale measures of service quality (SERVQUAL, SERVPERF) and retail service quality (RSQS). It also provided insights into the extent of customer satisfaction from the product offerings of the retail outlets. The final service quality questionnaire was developed with the help of qualitative inputs from retail experts. The scale was purified with the help of exploratory factor analysis and the survey data was analysed using exploratory statistical tools such as correlation analyses and regression analyses.

1.12 CONCEPTUAL FRAMEWORK OF THE STUDY:

Strategy is not a new idea conceived as a result of the challenging business environment of today, rather it has been in existence since old age when strategy were
made to win wars. This concept has grown over the years with different authors giving it different look depending upon changing times and resources. Retail strategy refers to the planning or the actions that are used by the retailer to succeed in the retail supermarket competition (Berman and Evans, 2009). Although today the competition is no more just between the supermarkets but also with other retail formats. The Retail strategy indicates how the firm plans to use its resources to achieve its objectives. It is a plan which specifies how the resources will be used to the maximum, so that the net results are much bigger and better. The strategy helps in understanding and zeroing on (1) the target market or segments, towards which the retailer directs efforts; (2) the type of merchandise and service level the retailer will offer to gratify the needs of target market; and (3) how the retailer will build long term advantage over its competitors and keep the advantage over a long period of time (Levy et al, 2008). The increasing competition in the retail sector is a great challenge for strategic management. The high speed changes in industries and opening up of economies which have led to increase in the global competition have led to an increased popularity of strategic planning (Rigby, 2001). The managers who take help from strategic management are able to compete and position themselves better than others. The areas of technology and globalisation are very important and recognised by various strategic thinkers, who are interested in knowing how these factors are influencing a company’s competitive positioning and creating global competitive advantage. The recent decade has witnessed a significant decline in the basic manufacturing industries and their contribution to countries GDP. On the other hand the share of service sector in the GDP is increasing with retail sector being predicted to be the employee of the future and area which will contribute significantly to the growth of economies. The Service sector and especially the retail sector have been increasing their contribution to the GDP of developing nations such as China, India and Brazil. Therefore retail strategy is a relevant and important area of research (MacDowell, 1994).

The purpose of this part of chapter is to present a conceptual framework and theoretical mode that will be addressed to in the research in order to identify the gaps in review of literature. It is essential to build theory, taking care of the framework, which helps in the effective development of the area of research. It also helps in the application of the theory in to the real world problems.
The following issues have been discussed in this part of chapter:

1. How can the strategies be analysed and their use be conceptualised and measured for customer attraction and retention.

2. Discussing how strategic choices of retailers will be fit into meaningful array of boxes, and offer unique and important insights.

3. How can service quality be measured and its relationship with customer satisfaction.

1.12.1 Key Concepts of Strategy

The strategy, as defined by Rumelt (1984) is a unique combination of resources used to gain competitive advantage over your rivals which plays an important role in the survival and profitability of a business as long as the company’s resources are adjusted according to the environmental condition. The Companies need to be look out for any alignment which might be required for their resources internally or externally to strengthen their position to compete with opponents within a given business, marketplace or industry. In order to understand strategic management, identify important areas researchers have provided several theories and models. The purpose of these was to establish, build and propagate systematically competitive advantages for the company. The use of these models can play an effective role in strengthening the company’s position in industry and help maintain it, if not improve, their competitive position within it. By applying these models a company can use its internal forces and resources to exploit the opportunities while aligning their resources and capabilities according to the environment. This helps the firms to be able to counteract threats and thus able to obtain competitive advantages compared to those that does not (Barney, 2002). The Indian retail sector with competitive forces gearing up is also at a stage where retailers need to think and act strategically to be able to be profitable. The growing intensity in retail competition due to emergence of new competitors (local as well as foreign), formats, and technologies, as well as shifts in customer needs is forcing retailers to devote more attention to long term strategic planning. The retail strategy provides the direction retailers need to deal effectively with their environment, customers and competitors (Aekar, 2007). For surviving and growing in the long run the retailers will need to use the models and typologies
developed by the thinkers over the years. The coming years will see the success of stores which are able to provide a value offer to the customers and retain them in the long run.

A key question in strategy research is why companies when operating in the same environment differ in their conduct as well as profitability. As a result of which companies differ in their success. Researchers view companies as independent entities, which are always working for achieving a competitive advantage which they are able to achieve with the help of opportunities and conditions existing in external sources, or from internal resources and capabilities (Gulati et al, 2000). The objective of a company’s strategy is to achieve competitive advantage, but additionally, the strategy itself is a foundation of competitive advantage (Luffman et al, 1996). India’s retail industry has been on move even during the economic slowdown, global players are busy venturing into the Indian retail sector with the help of domestic players for multi brand format as the regulations are restrictive for FDI (51% FDI allowed by cabinet in multi-brand on 24th November, 2011) and green field investment in single brand formats. Along with the rapid growth, retailing scenario has also been characterised by increasing competition and emergence of increasingly new retail formats (Popkowski et al, 2000). The retailers are defaulting by the overlap of merchandise being offered across different formats, the different formats such as hypermarkets, supermarkets, Convenience stores are offering the similar products. The competition has become intense as a result of India having a vast market leading to the interest of various national as well as international players. The competition is unpredictable in terms of direction where it is coming from. The unorganised sector which was dormant over the years has started modernising and bringing structural changes to stay competitive. A store format has been defined as the mix of variables that retailers use to develop their business strategies and constitute the mix as assortment, price, and transactional convenience and experience (Messinger and Narasimhan, 1997). Complexity of modern retail business requires managers to strive for innovative strategies to acquire and retain customers in any product market field. The thinning down of the crowds at modern retail formats, reduced footfalls and fewer conversions are reflecting the boredom of Indian customers with the offer.
The business is conducted by deciding upon basic policies and target levels established for risk and profit. On the basis of which the firm can then select appropriate strategies. Strategies are those actions that will be undertaken to utilise the firm’s resources in the best way to take advantage of external opportunities. It is the responsibility of the managers to decide which strategies when used will generate a competitive advantage for their firm. The choice of strategic actions requires multiple decisions. These decisions will help the firm in achieving the objectives of growth and profitability and thus shape the future competitiveness of the company. The success and failure of a company not only impacts the company but also have influence throughout the organisation and society. Successful companies are so influential that they change the structure of business in their sector and related as well as contribute to the welfare of the society by creating products and services. They are also able to create employment opportunities as the environment evolves. Since strategic decisions are made at both the corporate level and the operational level, a clearly defined corporate strategy can serve as a useful guide. The employees of the company can look up to the strategic guidelines for their actions and responsibilities. In times of confusion a well-defined strategy serves as a guideline. The use of different strategic alternatives will have different results as these choices differ in their degree of risk, profitability and compatibility with company strengths and resources.

Ansoff (1965) perceived that by using different strategic choices a firm will be able to gain as a result of synergy of actions. Similarly, strategic choices can have offsetting effects and act to limit overall success. The choices may conflict or overlap and thus confuse. The successful implementation depends on being able to understand the right strategic plan and the likely effects. In the wake of internationalisation of retailing, many global retail players are entering Indian retail market. These international retail players need to carefully examine the Indian consumer behavior and well-informed strategic planning needs to take place on the part of retailers before moving ahead with expansion plans. There exist significant differences in customers which will need to be addressed to. The retailers would have to examine their strategic plans keeping in mind these differences and the similarities. This could also mean that they need to give up a standardised retail mix in favour of strategies more specifically adapted to individual national markets. The experience of several of these retailers in other developing markets will also help them to address these issues in
India. In order to protect direct retail investment in new markets, customer understanding is crucial on the part of retail strategists. There has always been debate that whether retailing strategies can be effectively extended to other countries without adaptation or not (deMooij and Hofstede, 2002). The crucial task of managing the marketing mix has grown significantly over the past decade as retailers constantly seek to create and sustain unique trading images or position that attract and maintain customers. Competition is no longer between products, but encompasses all elements of this mix, including: product offer and positioning, store location, customer service, quality, retail design and store image, retail promotion, retail advertising, price points and other channel members.

Retailers need a good strategy which forestalls and adapts to both opportunities and threats of the business environment. The Strategic choices available to a firm will vary in their degree of risk, profitability and compatibility with company strengths and resources. Environmental factors such as political changes and alliances affect retail decision making, along with demographic, socio-economic and lifestyle trends (Burt, 1989). The characteristics of the retail environment, including trends in customer age profile, household structure, women in the workforce and income and expenditure patterns. All these have influence on strategic choice of the retailer (Segal-Horn, 1987). The firm’s capabilities and resources are a unique restraint. Timing for strategy implementation is important to its success, as the best strategy must be implemented at the appropriate time, when a window of opportunity appears (Abell, 1978). The timings for Indian retail sector are very critical as only a small part is organised and the rest presents a big opportunity for the big retailers to move in and establish themselves.

1.13 STRATEGIC MANAGEMENT – CONCEPTUALISATION AND OPERATIONALISATION

A firm needs to identify its core business area and thereby develop an action plan which will guide about how business will be managed. A retail strategy needs to build sustainable competitive advantage in an ever changing highly competitive environment. A retailer can indulge in several activities which can serve as a source of competitive advantage, but only some advantages are sustainable over a long period of time, as others can be easily copied over time (Sternquist, 1998). To stay
ahead then others always retailers will need to identify areas which can be continuously built over for success.

**Figure 1.1: Retail Strategy**

<table>
<thead>
<tr>
<th>Controllable variables</th>
<th>Uncontrollable variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Store location</td>
<td>• Consumers</td>
</tr>
<tr>
<td>• Managing a business</td>
<td>• Competitions</td>
</tr>
<tr>
<td>• Merchandise management and pricing</td>
<td>• Technology</td>
</tr>
<tr>
<td>• Communicating with the customer</td>
<td>• Economics conditions</td>
</tr>
<tr>
<td></td>
<td>• Seasonality</td>
</tr>
<tr>
<td></td>
<td>• Legal restrictions</td>
</tr>
</tbody>
</table>

Source: Berman and Evans, pp.74

### 1.13.1 Different Typologies of Strategic Management

Different thinkers have offered different set of criteria for strategic analysis (Doty, and Glick 1994). These are referred to as **Typologies** which are unique forms of theory building towards improved understanding and modeling. Describing competitive strategies at generic level exist in literature such as Ansoff (1987), Knee and Walter (1985), Robinson and Clarke-Hill (1990), Duke (1991), Miles and Snow (1978), Porter (1980) and Mintzberg (1978). Many researchers have focused on empirically testing the applicability of these popular strategy typologies in the context of developing economy firms. For example, Kim and Lim (1988) tested for the existence of Porter’s (1980) generic strategies in the electronics industry of the then emerging economy of Korea and found the evidence more in favor of mixed strategies than pure types. Aulakh et al, (2000) examined the export strategies of Latin American firms and found that cost leadership strategy suits better in the case of exports to developed markets while differentiation worked better when developing economies were targeted. The recent economic liberalisation in many developing economies and the environment condition thus created has led to many researchers attempting in literature to develop specific conceptual models that can help the companies to compete effectively at global level (Craig and Douglas, 1997, Dawar and Frost, 1999, Khanna and Palepu 2006). These researchers have proposed a set of generic strategies available to firms
from developing economies as they responded to severe institutional changes. The work of several such authors has been discussed below:

1.13.1.1 Ansoff’s Product /Market Matrix

H.I. Ansoff’s (1987)\(^{95}\) has presented one of the most fundamental conceptual frameworks. The Ansoff Matrix is a marketing tool that was first published in the Harvard Business Review in an article called ‘Strategies for Diversification’ (Ansoff, 1957)\(^ {96}\). This tool is used by marketers when their objective is that of growth. The tool may be correlated to at least two of the five forces, namely rivalry and threat from entrants. It emphasises that in order to make a dominant position in the market and industry it is important to keep a check on the rivalry and entrant forces. This can be achieved by dominating and not monopolising. It may also be seen as an aspect of offsetting the competitors. The matrix is more than sixty years old is still popular among strategic thinkers. Although, over time, several improvements to the original idea were introduced, several thinkers such as D. Aaker (2007)\(^ {97}\), Thompson and Martin (1993)\(^ {98}\) and Alterowitz and Zonderman (1988)\(^ {99}\). The matrix is based on the idea of two strategic variables that can help a company to select a strategy if the company wants to achieve growth. These two variables are products and markets. They can be further divided in two subcategories: old and new. In general strategies employed by companies require them to at least indirectly, make some choices concerned with these variables. Also strategies included in the matrix: penetration, product development, market development and diversification.

The Ansoff matrix is being used by companies who use market pull as the prime way of competing. It is being used by the ones which want to achieve growth (Ansoff, 1965)\(^ {100}\). The matrix helps management understand and assess marketing or business development strategy. Any business, or part of a business can choose which strategy to employ, or which mix of strategic options to use. It is a simple way of looking at strategic development options. Thus making it one of the best known frameworks used in the determination of growth strategies. Ansoff’s matrix offers strategic choices in order to achieve this objective, with four main categories to choose from for provision of products to customers. Ansoff (1965) proposed that companies can achieve bigger successes with the help of strategies as they lead to creation of synergies. If choosing a wrong one it can spill disaster which can be avoided by strategic management. Strategic choices reflect the way retailers understand the
present and imagine the future. Ansoff’s concept of a common thread captured the idea of relying on past strengths and directions when moving forward. The common thread links commonalities either in the chosen product line or in the target customer base. Ansoff presented this product/market strategic dichotomy in a classic matrix. The matrix (shown in figure 1.2) consists of four quadrants as follows:

I. **Market Penetration:** The way of doing things over here is by marketing existing products to existing customers more effectively. This will result in increased revenues, example, promoting the product, repositioning the brand, and so on. Pantaloon is being positions as retail store meant for young and stylish people. The market penetration strategy is considered to be the least risky since it uses many of the firm's existing resources and capabilities. In a growing market, simply maintaining market share will result in growth, and there may exist opportunities to increase market share if competitors reach capacity limits. However, market penetration has limits, and once the market approaches saturation another strategy must be pursued if the firm is to continue to grow. Change is important for survival. Customers tend to get bored soon.

II. **Market Development:** This strategy suggests the idea of looking for new markets. The existing product range is launched in a new market. This means that the product remains the same, but it is marketed to a new audience. Exporting the product or marketing it in a new region leads to the development of new markets. Market development strategy includes the targeting of additional market segments or geographical regions to achieve growth. The development of new markets for the product may be a good strategy if the firm's core competencies are related more to the specific product than to its experience with a specific market segment. Because the firm is expanding into a new market, a market development strategy typically has more risk than a market penetration strategy. Therefore, the firms using this strategy need to be careful and understand the new market behavior well.

III. **Product Development:** When new products are marketed to existing customers it is called product development. The firms need to use its resources for developing and innovating new product offerings to replace existing ones. A good example is when existing models are updated or replaced and then marketed to existing customers e.g. Retail companies such as Reliance and
Pantaloon are entering into new retail formats to cater to different needs of its customers. A product development strategy may be appropriate if the firm's strengths are related to its specific customers rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product targeted to its existing customers. Similar to the case of new market development, new product development carries more risk than simply attempting to increase market share.

IV. **Diversification:** Marketing of completely new products to new customers refers to diversification. Changing environment creates opportunities which are more attractive. There are two types of diversification, namely related and unrelated diversification. Related diversification means that one remains in a market or industry with which one is familiar. For example, a food manufacturer entering into the cold drink market. Unrelated diversification is where the enterprise has little or no previous industry or market experience. For example, Indian company Reliance was earlier into petroleum and chemicals and slowly they have entered into the retail business. Diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm. In fact, this quadrant of the matrix has been referred to by some as the "suicide cell". However, diversification may be a reasonable choice if the high risk is compensated by the chance of a high rate of return. Other advantages of diversification include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk.

**Figure 1.2: Ansoff's Product/Market Matrix**

<table>
<thead>
<tr>
<th>Product</th>
<th>Present</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present</td>
<td>Market Penetration</td>
<td>Product Development</td>
</tr>
<tr>
<td>New</td>
<td>Market Development</td>
<td>Diversification</td>
</tr>
</tbody>
</table>

Source: Ansoff (1965)
1.13.1.2 Knee and Walter’s Retailing Matrix

Ansoff (1965) stressed on the need for a ‘common thread’ between the present and future direction of the business, through the specification of what he termed the growth vector. It is important to understand the current direction of the firm’s product-market positioning, which, will depend on such factors as, for example, the firm’s long term objectives, management preferences, its areas of competences and previous strategic decisions. The firm is dependent upon its strengths and resources. The framework developed to illustrate this was the Ansoff matrix. The changing business environment with the time inspired Ansoff’s basic four-box matrix to be refined over period of time for better suitability. The matrix has been modified for a retail context by various authors Kristenson (1983) and Knee and Walters (1985). In order to adapt the basic matrix to a retail situation, they broadened the ‘product’ dimension to include trading style as well as product or range assortment and expand the ‘mission’ dimension to include both territorial expansion and new customer segments. Walters (1988) identified two components of competitive advantage, one led by productivity improvement, and one led by marketing decisions. Knee and Walters (1988) incorporated these components into their adaptation of Ansoff’s product/market matrix to retailing (Figure 1.3). The matrix considers existing, related and new options, with consolidation and productivity improvements as the logical, low risk starting-point. The product dimension includes choices on trading style and the customer mission dimension includes territory expansion and new customer segments. The basic purpose of these variations is to describe retail specific strategy options, ranging in level of risk from low at the top left of the matrix to high at the bottom right, coupled with the growth vector (or direction of growth across the matrix) to give strategic direction to the firm, both within, as well as across the quadrants, in line with its strategic capabilities. The choices with a retailing firm for increased market share might be to consolidate its position in its current markets by going for increased market share, perhaps through increased advertising. The firm might choose to develop new markets, perhaps expanding geographically into other areas, or even overseas, but retaining its current product range. It might choose to develop new retail products but stay in the same line of business – for example, increase its product range in clothing. It might choose to redefine the nature of these products. For example, the retailing formats have been formulated and changed.
radically with the changing tastes and preferences. Earlier the retail just meant providing wide variety of assortment, convenience of choice and place but over the time the formats have evolved to provide entertainment value as well to the customers. The concept of shoppertainment has come into existence today.

**Figure: 1.3: Retailing Product-Market Strategy Options**

Source: Knee and Walters (1985)\(^{106}\)

1.13.1.3 **Robinson and Clarke-Hill’s Matrix**

A similar approach by Robinson and Clarke-Hill (1990)\(^{107}\) identified related or domestic choices and new or international choices (Figure 1.4). This matrix, based on a survey of the major retailing groups in Europe, incorporated unrelated product ranges such as financial services and in-store credit cards, and vertical integration strategies.
### Duke’s Retail Saturation Matrix

Duke (1991) formulated his strategic choice grid as a response to the emerged retail saturation in UK grocery retailing (Figure 1.5). As a result of saturation most of the existing strategies turned out to be ineffective. In order to grow and stay profitable, grocery multiples had to take modified or new approaches along two dimensions, outlet type or offer type. These dimensions are conceptually distinct, yet are interrelated. In addition, Duke described three areas of strategic competition: seeking differential advantage based on people, a customer service orientation, seeking differential advantage based on technology, a productivity orientation; and the development of a different type of retail outlet to complement the current type.
1.13.1.5 Miles and Snow (1978)\textsuperscript{111}

Miles and Snow (1978) generic strategy approach identified four competitive strategy alternatives: prospectors, analysers, defenders and reactors. The first three of these strategies can be associated with high performance if the organisations approach is aligned with the demands of its environment. The firm will be actively looking for opportunities in the environment to take advantage and exploit them and to defend against any risk to its position from competitors. A fourth type of strategy does not represent a high performing strategy, a conceptualisation consistent with the notion of strategic simplicity. It is waiting for the situation to arise, for the action to be taken.

1.13.1.6 Porter’s Generic Strategic Model

Porter’s generic strategy matrix, which highlights cost leadership, differentiation and focus as the three basic choices for firms, has dominated corporate competitive strategy for the last 30 years (Pretorious, 2008)\textsuperscript{112}. According to this model, a company can choose how it wants to compete, based on the match between its type of

---

**Figure: 1.5: Duke’s Retail Saturation Matrix**

<table>
<thead>
<tr>
<th>Outlet type</th>
<th>Lower cost</th>
<th>Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing</td>
<td>Becoming saturated</td>
<td>C-stores Overseas (global strategy)</td>
</tr>
<tr>
<td>New/Modified</td>
<td>Service, Quality, Value, low prices (DIY, Furniture, etc.)</td>
<td>Differentiated and concentrated marketing</td>
</tr>
</tbody>
</table>

Source: Duke (1992)\textsuperscript{110}
competitive advantage and the market target pursued, as the key determinants of choice (Akan et al, 2006; Porter, 1980, Porter, 1985). Generic strategy typology remains one of the most notable in the strategic management literature (Parnell, 2006).

**Figure: 1.6: Porter’s Competitive Generic Strategies**

<table>
<thead>
<tr>
<th>Competitive advantage</th>
<th>Lower cost</th>
<th>Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad target</td>
<td>Cost leadership</td>
<td>Differentiation</td>
</tr>
<tr>
<td>Narrow target</td>
<td>Cost focus</td>
<td>Differentiation focus</td>
</tr>
</tbody>
</table>

Over all, Porter’s (1980) work has considered a landmark as it laid the foundation to integrate organisation-specific factors into a model of firm performance dominated by the industrial organisational perspective (Parnell et al, 2006). Over the years, changing business times have led to the emergence of new theories (e.g. resource-based theory), but still the Porter-based perspective, either original or altered, remains an interesting subject of analysis (Thornhill and White, 2007).

1. **Cost Leadership Strategy:** The cost leadership strategy is the basis for the long-run, sustainable competitive strategy compare to the price competition. Several thinkers feel that the price competition is easily duplicated (Porter, 1980; Ellis and Kelly). In the retail business industry for example (e.g. Giant supermarket, Carrefour), company strives for cost leadership strategy; all sources related to cost reduction must be exploited. A retail business company must minimize cost throughout its value chain (and possible intercompany chain) activities. Therefore, the most important issue for the retail business company is to pinpoint the sources of which are related with the Cost of Goods Sold (COGS). Large retail business companies usually achieve cost leadership more easily than smaller retail companies by adapting to
strategies such as introducing their Private labels in the store which bring greater margins compared to national brand names. Similarly, the large retail business companies usually have more power over suppliers which enable them to secure low procurement prices for purchased goods. They can dictate the prices as a result of the size of their procurement order. Example: Wal Mart.

The cost leadership strategy represents attempts by firms to generate competitive advantage by achieving the lowest cost in the industry. The focus of firms implementing a cost leadership strategy is on stringent cost control and efficiency in all areas of operation. A company that decides to follow a cost leadership strategy has the objective of being able to realize its offer at lowest possible cost. The competitive advantage of cost leadership is achieved by performing important value chain activities at lower cost than competitors (Porter, 1985). Cost leadership strategy also strives to supply a standard, no-frills, high-volume product at the most competitive price to customers (Bingxin and Juan, 2008). These types of strategies are more preferred in developing countries such as Indonesia, Malaysia, India, and China where these countries could provide with a lower labour cost hence to having a lower production cost (Aulakh et al., 2000). In contrast, a differentiation strategy is to create value to customers by providing superior quality, innovative products, brand image, and good services. This will make the product differentiation which means the product will be more competitive from others (Karise et al., 2007, Ruud et al., 2003, Porter, 1985).

Cost Leadership aim to be competitor rather than customer-oriented (Ruud et al., 2003). The explanation of why the cost leadership is to be competitor can be described as cost leadership requires a strong focus on the supply side as opposed to the demand side of the market. And this requires a high level of competitor orientation (Day and Wensley, 1998). Therefore, firms that pursuing a cost leadership strategy must continuously benchmark themselves against other competing firms in order to assess their relative cost (and therefore profitability) position in market place.

According to Porter (1980), a firm that pursues the cost leadership strategy also achieves a low-cost position by emphasizing aggressive construction of
efficient-scale facilities, vigorous pursuit of cost reductions from experience, 
tight cost and overhead control, avoidance of marginal customer accounts, and 
cost minimization in areas like research and development (R&D), services, 
sales force, advertising, and etc.

II. Differentiation Strategy: As an alternative to price competition a company 
can differentiate its products and services from its competitors. The generic of 
differentiation strategy involves creating a market position that is perceived as 
being unique industry-wide and that is sustainable over the long run. Such 
differentiation can be created based upon design or brand image, distribution, 
and so forth (Ruud et al, 2003). Specifically, differentiator firms create 
customer value by offering high-quality products supported by good service at 
premium prices (Walker and Ruekert, 1987). The firm aims at providing 
the customer something different from cost which acts as a pull. The products 
and services are created keeping in mind this perspective.

The ability of the firm to be able to effectively use differentiation strategy 
depends on how well the firm can balance product benefits and product costs 
for the customer. This offer has to be perceived better than the competitors 
offering (Slater and Olson, 2001). Companies following a differentiation 
strategy will always create and market unique products for varied customer 
groups. By doing so the company tries to satisfy the customer in a superior 
way, in one or several products attributes and thus is able to generate loyalty 
(Morshett et al, 2006). This is often accompanied by companies charging 
something extra from the customers that the customers are willing to pay 
because of the additional value.

The customers are ready to pay more as the company creates a perception in 
the minds of customers that their products or services possess superior 
characteristics that are unique from those of its competitors in term of image 
and reputation, reliability, design features and quality (Sashi and Stern, 
1995). This perception is created by incorporating real qualitative difference 
in its products and services, the company will use advertising programs and 
marketing techniques (Miller and Dess, 1993). According to Yasai-
Ardehani and Nystrom (2006), differentiation firms are able to achieve
competitive advantage over their rivals because they are perceived as being unique for their products and services by the customers. Porter (1980) stated that, competitive strategies deal with the development of attributes that characterise a company and differentiate the value it creates and offers in comparison to its competitors. All the marketing efforts are directed towards methods by which the firm is able to strengthen its position compared to competitors (Pearce and Robinson, 1994). The differentiation strategy has been successfully implemented in companies of advanced countries such as France, Sweden, Canada and these companies are likely to go to the less developed countries as foreign companies. The big multinational companies enjoy natural advantage over domestic firms with regard to adopting a differentiation strategy. The factors as a result of which the foreign companies are able to have an advantage are in terms of financial and technological resources, trained human capital, new and modern management systems, innovative production methods (Aulakh et al, 2000).

Firms in most developing economies implementing the differentiation strategy do not focus on a single dimension but emphasize several dimensions such as image, gain customer loyalty, quality, innovation and level of service, at the same time (Kim et al, 2004). This leads to creation of customer loyalty as the firms are able to generate differences in product image through intensive marketing and image management (Miller, 1988). This is achieved with the help of creating products that are innovative, dependable, durable, and serviceable. There are authors who insist that within a hybrid dimensional approach it is not essential that competitive strategy has to be established by differentiation and cost; rather several other alternatives can be there. Mintzberg (1988) proposed building a market image, unique and different product design, consistent quality, service dependability and support and undifferentiation for differentiation. Innovation differentiation, marketing differentiation, quality differentiation and service differentiation can be used according to Beal and Ardekani, 2000. Davis (1992) demonstrate that the rise of efficient and professional chain store operation leads to lower cost differentials between them which simultaneously intensifies the need to use
non-price attributes to distinguish and characterise retail business company. Especially in retail business, the uniformity of competition which resulted in a lack of profiled retail business companies with a clear image is often criticised and blamed on a one-sided focus on price competition (Martineau, 1958)\textsuperscript{143}. Companies using differentiation in retail business, company can be seen as adopting a strategy with the objective of adapting certain store attributes more closely to the specific needs of chosen customers segments (Morshett et al, 2006)\textsuperscript{144}. In retail business Company, as for manufacturing companies, two main arguments against Porter’s framework have emerged, by Mintzberg (1996)\textsuperscript{145}. These arguments insist that there are several other ways of attaining differentiation. These strategies that combine several competitive advantages are not considered by Porter. The reduction of possible competitive advantages to two basic types is simplistic, and especially differentiation advantages can be reached in many different ways.

But still a study by Acquaah and Yasai-Ardekani, (2008)\textsuperscript{146} found the existence of differentiation strategy in use in transition economies like Ghana. The reasons identified are that as a result of liberalisation policies being adopted, customers have been exposed to imported products with greater variety and higher quality. The differentiation strategy has also been successfully implemented in across the globe (i.e. in the developing, transition and developed economies) according to several studies.

III. Focus Strategy: A focus strategy identifies a specific market segment rather than trying to serve the whole of the market (Porter, 1980)\textsuperscript{147}. The marketer needs to understand the needs and desires of a specific target market that can be satisfied best with its resources. This segment because of the better fulfilment of its wants readily pays a premium for the specialised and customised services and products. It consists of focusing resources on a select few niche target markets. It is based on adopting a narrow competitive scope, which makes the strategy different from the others, who have a rather broad scope (Porter, 1980). By focusing the marketing mix on the narrowly defined target markets, the business can position itself to increase brand loyalty and customer satisfaction. This niche can be a certain kind of customers, a limited
geographic market, or a narrow range of products (Miller and Friesen, 1986). The loyal customers will be able to offset the impact of higher costs. A firm pursuing focus strategy needs to identify a target market, understand its needs and serves these needs better than any competitor. Focus strategy can make use of differentiation strategy or cost advantage for serving the identified segment. The firm can have high profits by serving a small but a demanding customer base who are paying a premium price for its unique product desires (Anderson, 2006). The focuser can achieve a competitive advantage within a niche, because large firms are either not attracted to the niche, or have overlooked the potential (Allen et al, 2007).

IV. The Combination (Hybrid) Strategy: Porter describes that firms that are torn between cost leadership, differentiation and focus as being “Stuck in the middle”. He points out that these firms do not have a commitment towards one of the generic strategies and are not able find the recipe for above average performance. A firm that is stuck in the middle can only be successful if either the industry structure is favourable or if their competitors are also stuck in the middle, which is unlikely. These firms are the ones which are unable to make a clear strategic choice. They strive to achieve competitive advantage through every means but achieve none.

But there are thinkers who feel that the Porter Generic Competitive Strategies of overall cost-leadership, differentiation and focus on strategic management research cannot be overemphasised. Low cost and differentiation strategy may be compatible approaches to dealing with competitive forces (Allen and Helms, 2001; Miller, 1986; Spanos et al, 2004) and postulated the pursuit of what has been termed ‘hybrid’, ‘mixed’, ‘integrated’, or ‘combination’ strategies (Kim et al, 2004). These ‘hybrid’ strategies are the ones which combine low cost and differentiation elements (Gopalkrishnan and Subramanian, 2001; Proff, 2000).
Table: 1.4:Generic Strategies and Industry Forces

<table>
<thead>
<tr>
<th>Industry Forces</th>
<th>Cost Leadership</th>
<th>Differentiation</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry barriers</td>
<td>Ability to cut price in retaliation</td>
<td>Customer loyalty can discourage potential entrants</td>
<td>Focusing develops core competencies that can act as an entry barrier</td>
</tr>
<tr>
<td>Buyer power</td>
<td>Ability to offer lower price to powerful buyers</td>
<td>Large buyers have less power to negotiate because of few close alternatives</td>
<td>Large buyers have less power to negotiate because of few alternatives</td>
</tr>
<tr>
<td>Supplier power</td>
<td>Better insulated from powerful suppliers</td>
<td>Better able to pass on supplier price increase to customers</td>
<td>Suppliers have power because of low volumes, but a differentiation focused firm is better able to pass on supplier price increases</td>
</tr>
<tr>
<td>Threat of substitutes</td>
<td>Can use low price to defend against substitutes</td>
<td>Customers become attached to differentiating attributes, reducing threat of substitutes</td>
<td>Specialized products and core competency protect against substitutes</td>
</tr>
<tr>
<td>Rivalry</td>
<td>Better able to compete on price</td>
<td>Brand loyalty to keep customers from rivals</td>
<td>Rivals cannot meet differentiation focused customer needs</td>
</tr>
</tbody>
</table>

Source: Porter (1985:16)\(^{17}\)

A combination competitive strategy involving high level of emphasis on both cost-leadership and differentiation strategies simultaneously should be distinguished from “stuck-in-the-middle” strategy where a firm fails to successfully purse both cost-leadership and differentiation strategies (Acquaah and Yasai-Ardekani, 2008)\(^{158}\). A combination or hybrid strategy has been shown to be viable and profitable (Kim et al, 2004)\(^{159}\). Since cost based and differentiation-based advantages difficult to sustain, firms that pursue a combination strategy may achieve higher performance than those firms that pursue a singular strategy. Pursuit of a differentiation strategy for low-cost firms will help minimise their vulnerability due to reliance on cost-based advantages only (Acquaah and Yasai-Ardekani, 2008). A hybrid strategy seeks simultaneously to achieve differentiation and low price relative to competitors. This success strategy depends on the ability to deliver enhanced benefits to the customers with low price while achieving sufficient margins to reinvestment to maintain and develop bases of differentiation (Strategy Explorer, 2010)\(^{160}\).
A firm while using one of the strategies of Porter’s needs to understand and take into account the five forces discussed in Porter’s five force model.

1.13.1.7 Target Market Techniques Based on Generic Strategies

A business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. Any organization that fails to make a strategic decision to opt for one of these strategies is in danger of being “stuck in the middle”. The organization in failing to decide, tries both to be the cost leader and differentiator and achieves neither, and in the process confuses consumers. These strategies are reflected in the retail sector with the help of the table below:

<table>
<thead>
<tr>
<th>Strategic Implication</th>
<th>Mass Marketing</th>
<th>Concentrated Marketing</th>
<th>Differentiated Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailer's location</td>
<td>Near a large population base</td>
<td>Near a small or medium population base</td>
<td>Near a large population base</td>
</tr>
<tr>
<td>Goods and service mix</td>
<td>Wide selection of medium-quality items</td>
<td>Selection geared to market segment-high or low-quality items</td>
<td>Distinct goods/services aimed at each market segment</td>
</tr>
<tr>
<td>Promotion efforts</td>
<td>Mass advertising</td>
<td>Direct mail, E-mail, subscription</td>
<td>Different media and messages for each segment</td>
</tr>
<tr>
<td>Strategy</td>
<td>One general strategy for a large homogeneous (similar) group of consumers</td>
<td>One specific strategy directed at a specific, limited group of customers</td>
<td>Multiple specific strategies, each directed at different (heterogeneous) groups of consumers</td>
</tr>
</tbody>
</table>

Table: 1.5: Target Market Techniques

Source: Various authors.

These generic typologies proposed in 1970s and 1980s became the theoretical base for identifying strategic groups in the industries. The strategic group concept was initially used by Hunt in 1972 (Parnell, 2002) for his doctoral dissertation. Since then, the concept has been widely used for either theoretical or empirical investigation. In the way, porter defined strategic group as a group of firms that follow similar strategies in
terms of their keys success variables. Therefore strategic group analysis can be successfully used for investigating simultaneously a group firms and assess their strategic actions jointly (Cool and Schendel, 1987). The generic group level analysis was proposed as a compromise between I/O’s deterministic, industry level of analysis and the organization level of analysis inherent to the strategic management discipline. Strategic group describe apparent clusters of business that appear to exhibit homogeneous behaviour within a heterogeneous industry. Strategic group analysis identified clusters of business employing largely similar strategies. As a result researchers were able to categorize likeliness within the strategic groups across studies which could be later on identified as business strategy typologies – also referred to as Gestalts, framework and archetypes. The literature has been supportive of the fact that competitive strategies influence the performance of the firm in different ways (Hashim, 2000).

The above literature on strategic management issues reflects:

(1) Retailers have a tough job competing in today’s retail environment.

(2) Selection of appropriate competitive strategy is detrimental to retailer’s success.

(3) The types of strategy followed by firms, to establish basis of competitive advantage, within the retail sector.

(4) On the basis of strategies being used by retailers they can be put together into strategic groups implementing similar strategies.

1.14 SERVICE QUALITY CONSTRUCTS

Service quality construct has been widely used for understanding the satisfaction level of customers in the retail sector. Although service quality is not the only criterion for why a consumer shops at a particular store but still it is a significant area where retailers can concentrate to increase sales as well as customer footfall. There are several other attributes such as merchandise selection and quality, price, image of the retail store which influences the customer shopping behavior, their satisfaction level as well as choice of retail store. But still service quality has been found to be the best determinant of the service aspect of retail shopping behavior. And service quality
these days is being used as a major strategy by the retailers to attract and retain customers to their retail stores.

1.14.1 Concept of Quality in Retail

In times where competition is immense companies need to focus on areas in their operations that might give them an edge on their competitors. One such area which has been increasingly being researched upon in other areas is the delivery of high levels of service quality. Service quality is increasingly being offered as a strategy by marketers to position themselves more effectively in the market (Parasuraman et al, 1988; Brown and Swartz, 1989; Cronin and Taylor, 1992). Delivery process and satisfaction of customers is difficult in service settings but as opposed to pure setting, a retail outlet represents a even more complicated retail environment. The retail store is offering a mix of merchandise and services. In retail setting, especially retail stores where there is a mix of product and service, retailers are likely to have impact on service quality more than on product quality (Dabholkar et al, 1996). Retailers at times are offering similar merchandise in their retail stores therefore service quality offers them areas where they can differentiate themselves from their competitors. As retailers can create such effects, service quality plays a significant strategic role in creating quality perceptions. It has become a significant area of research work as well as interest to management because of its impact on customer satisfaction. By satisfying customers through high quality service, business firms not only retain their current customers, but also increase their market share (Finn and Lamb, 1991). There is general agreement that a basic retailing strategy for creating competitive advantage is the delivery of high service quality (Berry, 1986; Reichheld and Sasser, 1990).

The problem with management of service quality in service firms is that quality is not easily identifiable and measurable due to inherent characteristics of services which make them different from goods. Various definitions of the term ‘service quality’ have been proposed in the past and, based on different definitions; different scales for measuring service quality have been put forward.

The following section will look into:
(1) Understanding and conceptualisation of service quality construct in retail sector.

(2) Understanding the various models of service quality.

(3) Determinants of service quality in retail context.

1.14.2 Retail Service Quality Paradox

Service quality is defined as ‘a global judgment or attitude, relating to the overall superiority of the service’ (Parasuraman et al, 1988)\(^{171}\). The existing research indicates that consumers satisfied with service quality are most likely to remain loyal (Wong and Sohal, 2003)\(^{172}\). The review of the service quality literature, indicates several views related to service quality– a three-dimensional view of service quality consisting of 1. interaction, 2. physical and 3. corporate quality (Lehtinen and Jarmo, 1982)\(^{173}\). At the deep level, from the customer perception, service quality evaluations are not only evaluated by the outcome of a service, but the delivery process of the service. Gronroos (1982)\(^{174}\) indicate there are two types of service quality, technical quality includes the results of how customers receive the service; it refers to relatively quantifiable aspects the consumer receives from the service provider, and it can often be measured by the customer e.g., waiting time at a supermarket. Functional quality is about how consumers enjoy the process of service delivery, it cannot be measured objectively. Gronroos (1984)\(^{175}\), Lehtinen and Lethinen (1982), described corporate image is an important quality indicator for customers, and the image is based both on technical and functional quality as mentioned earlier. The corporate image refers to the reputation, tradition, business name, ideology and variety of service and to the impression of quality which the customer perceives while interaction is taking place. Due to the intangible nature of service, the reputation of the organization plays a important role in the corporate image building. Yoon et al (1993)\(^{176}\) have also expressed in their work that reputation is closely attached to image, and influence both the expectations of customers and service quality. The companies in the service are highly customer driven and hence place a lot of emphasis on service quality.

Therefore the nature of services lead to development of several aspects related to service quality as discussed by several authors (Gronroos, 1982; Lehtinen and Lehtinen, 1982). The service quality is more difficult to estimate than the quality of physical goods, because of the intangible feature of services. Consumers find it
difficult to judge quality. The criterions on the basis of which customers can evaluate services are physical facilities, equipment and personnel but these somehow are insufficient to allow consumers to evaluate completely the quality of the overall offering. Other cues investigated by researchers are important quality indicators (McConnell, 1968)\textsuperscript{177}. Many researchers indicated that service quality emerged from the disconfirmation paradigm (Oliver, 1980\textsuperscript{178}; Churchill and Surprenant, 1982)\textsuperscript{179}.

1.14.3 Service Quality Models

The role of service sector in the development of various economies has been growing significantly. The industries in the service sector are growing and contributing significantly to global economy in the past few decades, service quality also draws attention of many practitioners and researchers. There is various service quality models proposed and applied in different contexts. For the purpose of this study, concepts and literatures related 3 models are presented: SERVQUAL and GAP model by Parasuraman et al (1988)\textsuperscript{180}, SERVPERF by Cronin and Taylor (1992)\textsuperscript{181}, Retail Service Quality Model by Dabholkar et al. (1996)\textsuperscript{182} as lot many researchers feel that Service quality in retailing is different from any other product/service environment (Gagliano K.B. and Hathcote, 1994)\textsuperscript{183}.

1. Servqual Model:

Researchers have been from a long time paid attention to the relationship between service quality and its influence on customer satisfaction. In 1980s, with the aim of defining service quality and developing a model of service quality, Parasuraman et al (1985)\textsuperscript{184} conducted an exploratory investigation into the phenomenon. The results showed that regardless of the type of service, consumers used basically the similar criteria in evaluating service quality. They labeled those 10 criteria “service quality determinants”. Since then, service quality was defined through the following 10 dimensions. The following 10 dimensions were used by the researchers.
<table>
<thead>
<tr>
<th>1. Tangibles</th>
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<tbody>
<tr>
<td>2. Reliability</td>
</tr>
<tr>
<td>3. Responsiveness</td>
</tr>
<tr>
<td>4. Communication</td>
</tr>
<tr>
<td>5. Credibility</td>
</tr>
<tr>
<td>6. Security</td>
</tr>
<tr>
<td>7. Competence</td>
</tr>
<tr>
<td>8. Courtesy</td>
</tr>
<tr>
<td>9. Understanding/Knowing the consumer</td>
</tr>
<tr>
<td>10. Access</td>
</tr>
</tbody>
</table>

In 1988, through two stages of empirical research, Parasuraman et al (1988) condensed the scales pool from 97 items to 54 items, and later reduced to 34 items, finally resulted in 22 items 5 dimensions, the five dimensions are: tangibility, reliability, responsiveness, assurance (competence, courtesy, credibility, security) and empathy (comprehension, communication accessibility, thus formed a widely used SERVQUAL scale. The scale is considered having good reliability and validity, and can be used to improve service quality. Also, it can examine the service quality trend; it can assess the particular enterprise’s service quality even each dimension and the final quality; it can make it clear that the different dimensions have different influence on quality perception. The major contribution of Parasuraman et al 1988 was that they provided a perfect definition of service quality. They describe service quality as “a global judgment or attitude is relating to the superiority of their service” and explicate it as involving evaluations of the outcome i.e. what the customer actually receives from service and process of service act; and the manner in which service is delivered. The customers formulate perceptions related to the quality of service on the basis of expectations and how they view the quality services being provided. Perceived quality is viewed as the degree and direction of discrepancy between consumer’s perception and expectations. In the services marketing literature perceptions, (P) are defined as consumers beliefs concerning the service received or experienced services, Expectations are defined by Parasuraman et al (1988) as
desires or wants of consumers, i.e., what they feel a service provider should offer rather than would offer. Thus the perceived quality can be measured with the following P-E measurement model;

\[ SQ_i = \sum_{j=1}^{K} W_j (P_{ij} - E_{ij}) \]

Where;

\( SQ_i \) = SERVQUAL overall perceived quality of stimulus i.

\( K \) = the number of attributes

\( W_j \) = A weighting factor if attributes have differentiated weights

\( P_{ij} \) = Performance perception of stimulus i with respect to attribute j

\( E_{ij} \) = Service quality expectation for attribute j, that is, the relevant norm for stimulus i.

The equation suggests that perceived service (SQ) increases as the differences between P and E increases across attributes. Exceed the norm means high quality is received and falling short of the norm means low quality is received.

The scale has overtime been used again and again in various sectors to evaluate service quality but people have different views also. Carman (1990) pointed out that although SERVQUAL had good stability, but the five factors are not neutral indicators for different service sectors. It has also been criticized on the basis that it cannot be universally applicable. As a result Parasuraman et al (1991) improved and re-evaluated the scale. They changed the description of some items, for example, replaced "should" of "would" at expectation part of the questionnaire, changed the statement sentences from negative tone into positive tone, although having done much improvements, Parasuraman et al, 1991 still emphasised the SERVQUAL scale is the basic "skeleton" but not the perfect one. Therefore, they suggested that the scale should be modified when being applied in different service settings according to the nature of the sector in which it is being employed. As per the model consumer perceptions of quality are influenced by five gaps occurring in the internal process of service delivery. The basic foundation of the model is that service quality can be
defined by the difference between expected service and perceived service (Parasuraman et al, 1985). The first four are those on the service provider side.

Table: 1.7: The Gaps Model of Service Quality

<table>
<thead>
<tr>
<th>Gap</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gap 1</td>
<td>The difference between what customers expected and what management perceived customer expected;</td>
</tr>
<tr>
<td>Gap 2</td>
<td>The difference between management’s perceptions of customer expectations and the translation of those perceptions into service quality specifications;</td>
</tr>
<tr>
<td>Gap 3</td>
<td>The difference between actual service quality specifications and the delivery of those specifications to customer service actually delivered;</td>
</tr>
<tr>
<td>Gap 4</td>
<td>The difference between the services delivered to customers and the external communications about the service; and</td>
</tr>
<tr>
<td>Gap 5</td>
<td>The difference between customer expectations and perceptions</td>
</tr>
</tbody>
</table>

Parasuraman et al (1985) also provided a model (Figure 1.7) to illustrate how these four gaps interacted with one another and with the customer gap. The model attempts to illustrate the activities of the service organisations that influence the perception of quality. The model shows that how various activities interact and identifies the link between the key activities of the service marketers, which are important to the delivery of a satisfactory level of service quality. To clarify, the gaps are shortcomings or the discrepancies which play a hurdle in the achievement of the satisfaction level of the customers. For example the company’s perceptions of consumer expectations influences service standards. Similarly the external communication influences the customer’s perceived and expected level of service. Finally, it is essential that the line that connects external communications with service standards must be coordinated with one another. The mismatch will lead to dissatisfaction.

SERVQUAL has been applied in various types of service settings of service industries, discount and department store (Finn and Lamb, 1991), business school placement center, tyre store, dental school patient clinic and acute care hospital (Carman, 1990).

Parasuraman et al (1988) have time and again reminded the researchers to adapt or supplement the characteristics to fit specific research needs of a particular organisation or sector.
**Figure: 1.7: GAP MODEL**

Source: Parasuraman et al. (1985)

**Table: 1.8: SERVQUAL Dimensions**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assurance</td>
<td>The knowledge and courtesy of employees and the ability to convey trust and confidence</td>
</tr>
<tr>
<td>Empathy</td>
<td>The caring individualistic attention provided to customers</td>
</tr>
<tr>
<td>Reliability</td>
<td>The ability to perform the promised service dependably and accurately</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>The willingness to help customers and provide prompt service</td>
</tr>
<tr>
<td>Tangibles</td>
<td>The appearance of physical facilities, equipment, personnel, and communication materials</td>
</tr>
</tbody>
</table>

II. SERVPERF:

Cronin and Taylor (1992)\(^{194}\) developed a “performance-based” service quality measurement scale called SERVPERF. This scale was inspired by the SERVQUAL scale itself but the major difference between these two scales is that SERVQUAL measures service quality by comparing the perceptions of the service received with expectations, while the later maintains only the perceptions of service quality. Cronin and Taylor (1992) found that unweighted SERVPERF measure (performance-only) was able to perform better that any other measure of service quality. According to them SERVPERF has greater predictive power (ability to provide an accurate service quality score). The argument provided by them in support of their model was that the current performance is best able to reflect a customer’s perception of service quality, and that expectation is not part of this concept. The SERVPERF scale consists of 22 perception items excluding any consideration of expectations. The perceived quality model postulates that an individual’s perception of the quality is only a function of its performance and the 22 performance items adequately define the domain of service quality. Many authors have emphasised on the superiority of SERVPERF over SERVQUAL with the help of numerous studies including those by Avkiran (1999)\(^{195}\), Lee et al (2000)\(^{196}\) and Brady et al (2002)\(^{197}\). But still it does not mean that SERVQUAL has not been found useful, there has been continuous use of and reference to SERVQUAL in marketing literature suggesting that there does not exist a consensus yet related to relative superiority of performance-only measures of service quality (Brady et al, 2002)\(^{198}\).

III. Retail Service Quality Scale (RSQS):

SERVQUAL led to other researcher looking for a tool which could best fit into particular service settings. To contextually fit into the retail industry, Dabholkar et al (1996)\(^{199}\) developed Retail Service Quality Model (RSQS). The RSQS has a five dimensional structure-Physical aspects, Reliability, Personal interaction, Problem solving and policy, out of which
the first three dimensions comprise of two subdimensions each. The researchers who have used this model assess the applicability of the RSQS encouraging others to use it in the retail sector. Later the researchers replicated their own study and found all the RSQS dimensions and subdimensions to be valid in the U.S. Mehta et al (2000) conducted a research on service quality in the contexts of supermarkets and electronic goods retailers in Singapore and found the RSQS five dimensional structure appropriate for measuring the service quality perceptions of supermarket consumers. The results showed that “RSQS was superior within the context of more good and less service environment, i.e. a supermarket, while SERVPERF was better for a retailing context where the service element becomes more important, i.e. an electronic goods retailer. Kim and Jin (2001) report the RSQS a useful scale for measuring service quality of discount stores across two different cultural contexts of U.S. and South Korea. The findings showed that customers' perceptions of service quality do not view service quality in as similar manner, nor do U.S. and Korean customers of discount stores. They reported empirical support for a four and not a five dimensional structure. And they concluded that the dimensionality of service quality is not universal across industries or across countries (Kim et al, 2004). Boshoff and Terblanche (1997), in a replication of the RSQS model, report highly encouraging results for the RSQS applicability in the context of department stores, specialty stores and hypermarkets in South Africa. Based on SERVPERF, RSQS includes 28-item scale, of which 17 items are from SERVPERF and 11 items are developed by qualitative research. It composes of 5 dimensions, described in the Table 1.9.
### Table: 1.9: Retail Service Quality Dimensions

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical aspects</td>
<td>Retail store appearance and store layout; This dimension has broader meaning than does the SERVQUAL’s tangible dimension. In addition to the appearance of the facilities, it also takes into account the convenience offered to the customer by the layout of physical facilities.</td>
</tr>
<tr>
<td>Reliability</td>
<td>Retailers keep their promises and do the right things; The construct reliability here is similar to SERVQUAL reliability dimension.</td>
</tr>
<tr>
<td>Personal interaction</td>
<td>Retail store personnel are courteous, helpful, and inspire confidence in customers;</td>
</tr>
<tr>
<td>Problem solving</td>
<td>Retail store personnel are capable to handle returns and exchanges, customers’ problems and complaints; and</td>
</tr>
<tr>
<td>Policy</td>
<td>Retail store personnel are capable to handle returns and exchanges, customers’ problems and complaints; and</td>
</tr>
</tbody>
</table>

RSQS has been used by some researchers in measuring service quality in certain types of retailers such as department stores, supermarkets and discount stores in Western and Eastern countries. Moreover, Kaul (2005)\(^\text{204}\) found that Indian customers could not identify with all the RSQS dimensions. In Vietnam, Nhat and Hau (2007)\(^\text{205}\) tested a model on the relationships between service quality, customer satisfaction and loyalty in supermarkets in HCMC and found that retail service quality composes of 5 dimensions: goods assortment, personnel, appearance, physical aspects and safety. This study recommended that SERQUAL and RSQS could be applied in Vietnam provided that they are adjusted to the specific context of study.
Table: 1.10: RSQS Instrument Used by Dabholkar

<table>
<thead>
<tr>
<th>Dimension 1: Physical Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sub-Dimension 1: Appearance</strong></td>
</tr>
<tr>
<td>1. The store has modern-looking equipment and fixtures.</td>
</tr>
<tr>
<td>2. The store and its physical facilities (trial rooms and restrooms) are visually attractive.</td>
</tr>
<tr>
<td>3. Materials associated with this store’s service (such as shopping bags, loyalty cards and catalogs) are visually appealing.</td>
</tr>
<tr>
<td>4. The store has clean, attractive and convenient physical facilities (restrooms, fitting rooms).</td>
</tr>
<tr>
<td><strong>Sub-Dimension 2: Convenience</strong></td>
</tr>
<tr>
<td>5. The store layout at this store makes it easier for customers to find what they need.</td>
</tr>
<tr>
<td>6. The store layout at this store makes it easier for customers to move around in the store.</td>
</tr>
<tr>
<td><strong>Dimension 2: Reliability</strong></td>
</tr>
<tr>
<td>7. When this store promises to do something (such as repairs, alterations) by a certain time, it will do so.</td>
</tr>
<tr>
<td>8. This store provides its services at the time it promises to do so.</td>
</tr>
<tr>
<td><strong>Sub-Dimension 4: Doing-it-Right</strong></td>
</tr>
<tr>
<td>9. This store performs the service right the first time.</td>
</tr>
<tr>
<td>10. This store has merchandise available when the customers want it.</td>
</tr>
<tr>
<td>11. This store insists on error-free sales transactions and records.</td>
</tr>
<tr>
<td><strong>Dimension 3: Personal interaction</strong></td>
</tr>
<tr>
<td><strong>Sub-Dimension 5: Inspiring Confidence</strong></td>
</tr>
<tr>
<td>12. Employees in the store have the knowledge to answer customers’ questions.</td>
</tr>
<tr>
<td>13. The behaviour of employees in this store instills confidence in customers.</td>
</tr>
<tr>
<td>14. Customers feel safe in their transactions with this store.</td>
</tr>
<tr>
<td><strong>Sub-Dimension 6: Courteousness/Helpfulness</strong></td>
</tr>
<tr>
<td>15. The employees in this store give prompt service to customers.</td>
</tr>
<tr>
<td>16. Employees in this store tell customers exactly when services will be performed.</td>
</tr>
<tr>
<td>17. Employees in this store are never too busy to respond to customer’s requests.</td>
</tr>
<tr>
<td>18. This store gives customers individual attention.</td>
</tr>
<tr>
<td>19. Employees in this store are consistently courteous with customers.</td>
</tr>
<tr>
<td>20. Employees in this store treat customers courteously on the telephone.</td>
</tr>
</tbody>
</table>
SERVPERF has been drawn from SERVQUAL. Similarly RSQS owes its origin to and from the SERVPERF; the RSQS is a performance based measure of service quality. But it has been developed specifically for its use in the retail sector. Dabholkar, Thorpe and Rentz (1996) used a triangulation of research techniques to discover the factor structure of service quality. The work comprised of interviews with three retail customers, exploratory in-depth interviews with six customers and a qualitative study tracking the thought processes of three customers during an actual shopping experience at a store. By combining the findings from the studies, they proposed a hierarchical factor structure for retail service quality consisting of five dimensions - Physical aspects, Reliability, Personal interaction, Problem solving and Policy. These are also referred to as the second-order factors because they are comprised of several sub-dimensions. Each of the first three dimensions has two sub-dimensions each. These six sub-dimensions, also called the first-order factors which are labeled as Appearance, Convenience, Promises, Doing-it-right, Inspiring confidence and Courteousness/helpfulness.

Below the researcher presents a summary of various studies which have used different service quality scales in different sector.
<table>
<thead>
<tr>
<th>Study</th>
<th>Service Industry (Country)</th>
<th>Sample</th>
<th>Questionnaire administration</th>
<th>Data analysis procedure</th>
<th>Scale</th>
<th>Dimensions (number of items)</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knaton et al. (1995)</td>
<td>Lodging industry (USA)</td>
<td>201 adults</td>
<td>Telephone interviews</td>
<td>Confirmatory factor analysis</td>
<td>28 items: expectation only scoresSeven-point Likert scale, ranging from strongly agree (7) to strongly disagree (1)</td>
<td>5 dimensions: reliability (4 items), assurance (5), responsiveness (3), tangibles (6), empathy (6)</td>
<td>Ranged from 0.63 to 0.80</td>
</tr>
<tr>
<td>Saleh and Ryan (1991)</td>
<td>Hospitality industry (Canada)</td>
<td>200 hotel guests, 17 management staff</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>32 items for hotel guests and 33 items for management staff: perception-minus-expectations five-point Likert scale, ranging from highly satisfied (1) to highly dissatisfied (5)</td>
<td>4 dimensions for hotel guests: tangibles and reliability (10), responsiveness (6), assurance (8), empathy (6)</td>
<td>Ranged from 0.74 to 0.93</td>
</tr>
<tr>
<td>Donner and van der Weele (1992)</td>
<td>Care service industry (The Netherlands)</td>
<td>226 customers of care service firms</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>40 items: Perception-minus-expectations scoresSeven-point Likert scale, ranging from strongly disagree (1) to strongly agree (7)</td>
<td>5 factors: customer kindness (19), tangibles (13), faith (6)</td>
<td>Ranged from 0.76 to 0.92</td>
</tr>
<tr>
<td>Vandaere and Loquai (1993)</td>
<td>Health care sector (Belgium)</td>
<td>70 patients</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>Seven-point Likert scale, ranging from very unimportant (1) to very important (7) for expectations and from 1 = definitely not appropriate to 7 = definitely appropriate for perceptions 17 items. Perception-minus-expectations scoresSeven-point Likert scale, ranging from strongly disagree (1) to strongly agree (7)</td>
<td>6 dimensions: tangibles (4), medical responsiveness (3), assurance (3), trust (3), personal beliefs and values (2)</td>
<td>Ranged from 0.58 to 0.82</td>
</tr>
<tr>
<td>Stevens et al. (1995)</td>
<td>Restaurant industry (USA)</td>
<td>200 respondent s from fast-dining, 198 from casual-dining 198 from quick service restaurants</td>
<td>Telephone interviews</td>
<td>Confirmatory factor analysis</td>
<td>29 items: expectation only scoresSeven-point Likert scale, ranging from strongly agree (7) to strongly disagree (1)</td>
<td>5 dimensions: tangibles (10), reliability (5), responsiveness (3), assurance (5), empathy (5)</td>
<td>Ranged from 0.89 to 0.92</td>
</tr>
<tr>
<td>Toms and Ng (1995)</td>
<td>Service quality in NHS or NHS trust hospital services (England)</td>
<td>132 patients admitted in large general hospital in the east of England</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>49 items: Perceptions-minus-expectations factors analysis is based on expectations only scores</td>
<td>7 dimensions: empathy (10), relationship of mutual respect (9), dignity (9), understanding of illness (5), religious needs (1), food (6), physical environment (9)</td>
<td>Ranged from 0.64 to 0.92</td>
</tr>
<tr>
<td>Dabholkar et al. (1994)</td>
<td>Retail service quality (USA)</td>
<td>227 shoppers for the first study and 149 for the cross-validation study</td>
<td>Self-administered</td>
<td>Confirmatory factor analysis</td>
<td>28 items: perception only scoresSeven-point Likert scale, ranging from strongly disagree (1) to strongly agree (5). 23 items: perception minus expectations scoresSeven-point Likert scale, ranging from strongly agree (7) to strongly disagree (1)</td>
<td>5 dimensions: physical aspects (6 items), reliability (5), personal interaction (9), problem solving (3), policy (5)</td>
<td>Ranged from 0.85 to 0.92</td>
</tr>
<tr>
<td>Study</td>
<td>Sample</td>
<td>Questionnaire administration</td>
<td>Data analysis procedure</td>
<td>Scale</td>
<td>Dimensions (number of items)</td>
<td>Reliability</td>
<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td>Lam and Zhang (1999)</td>
<td>Travel agents (Hong Kong)</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>25 items: perception only scores</td>
<td>5 dimensions: responsiveness and assurance (6), reliability (5), empathy (4), resources and corporate image (3), tangibility (2), tangibility (3)</td>
<td>Ranged from 0.67 to 0.88</td>
<td></td>
</tr>
<tr>
<td>Mason et al. (1999)</td>
<td>Logistic service quality (USA)</td>
<td>Self-administered</td>
<td>Confirmatory factor analysis</td>
<td>14 items: perception only scores</td>
<td>3 dimensions: search attributes (5 items), credit attributes (4 items), experience attributes (5 items)</td>
<td>Ranged from 0.77 to 0.83</td>
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<tr>
<td>Shenvell and Yavas (1999)</td>
<td>Hospital service quality (USA)</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>7 items: perception-minus-expectations scores</td>
<td>5 dimensions: tangibles (4), reliability (4), responsiveness (3), assurance (3), empathy (3)</td>
<td>Ranged from 0.76 to 0.80</td>
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<tr>
<td>Fasella et al. (2000)</td>
<td>Career service centers in college campuses (USA)</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>24 items: perception only scores</td>
<td>5 dimensions: responsiveness (5 items), tangibles (7 items), communications (4 items), consumables (3 items), empathy (2)</td>
<td>Ranged from 0.70 to 0.83</td>
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<tr>
<td>Frohler and Hughes (2000)</td>
<td>Service quality provided in historic houses (England and Scotland)</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>24 items: perception only scores</td>
<td>5 dimensions: responsiveness (5 items), tangibles (7 items), communications (4 items), consumables (3 items), empathy (2)</td>
<td>Ranged from 0.70 to 0.83</td>
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<tr>
<td>Colk and Thompson (2001)</td>
<td>Library service (USA)</td>
<td>Web-based administration</td>
<td>Exploratory factor analysis</td>
<td>24 items: perception only scores</td>
<td>4 dimensions: service (11 items), library atmosphere (9 items), access to collections (7 items), reliability (7)</td>
<td>Ranged from 0.80 to 0.91</td>
<td></td>
</tr>
<tr>
<td>Sower et al. (2001)</td>
<td>Hospital service quality (USA)</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>24 items: perception only scores</td>
<td>8 dimensions: respect and caring (12 items), effectiveness and continuity (15 items), appropriateness (13 items), information (7 items), efficiency (5 items), effectiveness of meals (5 items), first impression (4 items), staff diversity (3 items)</td>
<td>Ranged from 0.87 to 0.98</td>
<td></td>
</tr>
<tr>
<td>Author(s)</td>
<td>Sample Description</td>
<td>Sample Size</td>
<td>Data Collection Method</td>
<td>Questionnaire Method</td>
<td>Service Quality Dimensions</td>
<td>Dimension Range</td>
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<tr>
<td>Vaughn and Shi (2001)</td>
<td>Voluntary sector (Scotland)</td>
<td>72</td>
<td>Self-administered</td>
<td>Exploratory factor analysis; Correlation matrix analysis</td>
<td>27 items: perception scores and expectations scores</td>
<td>10 dimensions: access (3), responsiveness (4), communication (4), humaneness (4), security (2), enabling empowerment (2), competence (3), reliability (3), equity (1), tangibles (1)</td>
<td></td>
</tr>
<tr>
<td>Aldridge and Ball (2002)</td>
<td>Banking (UK)</td>
<td>975</td>
<td>Mail survey</td>
<td>Exploratory factor analysis</td>
<td>21 items: scale; perception only scores seven point Likert scale, ranging from strongly disagree (1) to strongly agree (7)</td>
<td>4 dimensions: service system quality (11), behavioral service quality (5), machine service quality (3), service transactional quality (3)</td>
<td>Ranged from 0.80 to 0.93 (Total sample)</td>
</tr>
<tr>
<td>Jada et al. (2002)</td>
<td>Internet retail service quality (USA)</td>
<td>446</td>
<td>Administered by interviews</td>
<td>Confirmatory factor analysis</td>
<td>22 items: perception only scores Seven point Likert scale, ranging from strongly disagree (1) to strongly agree (7)</td>
<td>4 dimensions: service system quality (11), behavioral service quality (3), machine service quality (3), service transactional quality (5)</td>
<td>Ranged from 0.61 to 0.83</td>
</tr>
<tr>
<td>Suresh Chandra et al. (2002)</td>
<td>Banking (India)</td>
<td>227</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>41 items: perception only scores Seven point Likert scale, ranging from very poor to very good (7)</td>
<td>5 dimensions: core service or service product (3), human element of service delivery (17), systems and service capability (4), tangibles of service (5), social responsibility (7)</td>
<td>Ranged from 0.92 to 0.96</td>
</tr>
<tr>
<td>Getty and Getty (2001)</td>
<td>Lodging Industry (USA)</td>
<td>277</td>
<td>Mail survey</td>
<td>Exploratory factor analysis</td>
<td>26 items: perception only scores Four point scale, ranging from low (1) to high (4)</td>
<td>High reliability no detailed information</td>
<td></td>
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<tr>
<td>Khan (2003)</td>
<td>Ecotourism</td>
<td>324</td>
<td>Mail survey</td>
<td>Exploratory factor analysis</td>
<td>29 items: expectations only scores Seven point Likert scale, ranging from strongly disagree (1) to strongly agree (7)</td>
<td>6 dimensions: ecotangibles (3), assurance (5), reliability (5), responsiveness (4), empathy (4), tangibles (5)</td>
<td>Ranged from 0.86 to 0.96</td>
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<tr>
<td>Wolfinberg and Gilly (2003)</td>
<td>Online e-tail quality (USA)</td>
<td>1,013</td>
<td>web-based administration using an online panel</td>
<td>Exploratory factor analysis</td>
<td>14 items: perception minus expectations scores Seven point Likert scale, ranging from strongly disagree (1) to strongly agree (7)</td>
<td>6 dimensions: web site design (5), fulfilment reliability (3), security privacy (3), customer service (3)</td>
<td>Ranged from 0.79 to 0.88</td>
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<tr>
<td>Yoon and Sub (2004)</td>
<td>Consulting service (Korea)</td>
<td>86</td>
<td>Self-administered</td>
<td>Exploratory factor analysis</td>
<td>36 items: perception only scores Seven point Likert scale, ranging from strongly disagree (1) to strongly agree (7)</td>
<td>6 dimensions: assurance (4), responsiveness (6), reliability (12), empathy (4), process (9), calculation (4)</td>
<td>Ranged from 0.87 to 0.945</td>
</tr>
<tr>
<td>Goumas (2005)</td>
<td>Business to business service (Greece)</td>
<td>515</td>
<td>Mail survey</td>
<td>Confirmatory factor analysis (CA)</td>
<td>23 items: perception only scores Seven point Likert scale, ranging from entirely agree (1) to entirely agree (7)</td>
<td>4 dimensions: potential quality (6), hard process quality (5), soft process quality (6), output (1)</td>
<td>Ranged from 0.79 to 0.88</td>
</tr>
<tr>
<td>Jabnou and Khalifa (2005)</td>
<td>Bank (United Arab Emirates)</td>
<td>115 customers of Islamic banks and 115 customer of conventent banks</td>
<td>Self administered</td>
<td>Exploratory factor analysis</td>
<td>20 items: perception only scores Five point Likert scale; ranging from strongly agree (5) to strongly disagree (1)</td>
<td>4 dimensions: personal skills (12) reliability (6), empathy (1), assurance (6).</td>
<td>Ranged from 0.85 to 0.94</td>
</tr>
<tr>
<td>Karatepe et al. (2005)</td>
<td>Bank service (Cyprus)</td>
<td>1220 customers</td>
<td>Self administered</td>
<td>Exploratory factor analysis Confirmatory factor analysis</td>
<td>22 items: perception only scores Five point Likert scale; ranging from strongly agree (5) to strongly disagree (1)</td>
<td>4 dimensions: service encounter (2), interaction (4), quality (8), empathy (4).</td>
<td>Ranged from 0.81 to 0.92</td>
</tr>
<tr>
<td>Parasuraman et al. (2005)</td>
<td>Electronic service quality (internet users- not identified)</td>
<td>549 subjects from the development stage and 858 customers for the validation stage</td>
<td>Web-based administration</td>
<td>Exploratory factor analysis Confirmatory factor analysis</td>
<td>Five point Likert scale; ranging from strongly agree (1) to strongly disagree (5)</td>
<td>4 dimensions: efficiency (8 items); system availability (4); social (5); quality (9); reliability (4).</td>
<td>Ranged from 0.83 to 0.92</td>
</tr>
<tr>
<td>Stevens et al. (1995)</td>
<td>Restaurant industry (USA)</td>
<td>209 users</td>
<td>Self-administered</td>
<td>Telephone interviews</td>
<td>29 items: expectation only scores Seven point Likert scale; ranging from strongly agree (7) to strongly disagree (1)</td>
<td>5 dimensions: tangibles (10); reliability (5); responsiveness (3), assurance (6); empathy (4).</td>
<td>Ranged from 0.89 to 0.92</td>
</tr>
<tr>
<td>Enev and Ng (1995)</td>
<td>Service quality in NHS or NPP Trust hospital services (England)</td>
<td>132 patients admitted in large general hospital in the east of England</td>
<td>Self-administered</td>
<td>Exploratory factor analysis Confirmatory factor analysis</td>
<td>40 items: Perception minus Expectations (7) factor analysis; based on expectations-only version</td>
<td>5 dimensions: competence (10); relationship of mutual respect (4); dignity (3); understanding of illness (5); religious needs (4); food (6); physical environment (9).</td>
<td>Ranged from 0.84 to 0.92</td>
</tr>
<tr>
<td>Dabholkar et al. (1996)</td>
<td>Retail service quality (USA)</td>
<td>227 shoppers for the first study and 149 for the cross-validation study</td>
<td>Self administered</td>
<td>Confirmatory factor analysis</td>
<td>29 items: perception only scores Five point Likert scale; ranging from strongly agree (5) to strongly disagree (1)</td>
<td>5 dimensions: physical aspects (11); reliability (5); personal interaction (6); problem solving (3); policy (5).</td>
<td>Ranged from 0.95 to 0.92</td>
</tr>
<tr>
<td>Lam and Zhang (1999)</td>
<td>Travel agents (Hong Kong)</td>
<td>209 users of travel agents</td>
<td>Self administered</td>
<td>Exploratory factor analysis Confirmatory factor analysis</td>
<td>29 items: perception only scores Five point Likert scale; ranging from strongly agree (5) to strongly disagree (1).</td>
<td>5 dimensions: responsiveness and assurance (5); reliability (5); empathy (4); resources and corporate image (7); tangibility (4).</td>
<td>Ranged from 0.67 to 0.88</td>
</tr>
<tr>
<td>Mentzer et al. (1999)</td>
<td>Logistic service quality (USA)</td>
<td>531 defense logistics agency users</td>
<td>Self administered</td>
<td>Exploratory factor analysis Confirmatory factor analysis</td>
<td>54 items: perception only scores Five point Likert scale; ranging from strongly agree (5) to strongly disagree (1)</td>
<td>5 dimensions. Information quality (6); ordering procedures (2); ordering release quantities (3); timeliness (3); order accuracy (3); order quality (3); order condition (3); order discrepancy handling (3).</td>
<td>Ranged from 0.73 to 0.89</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Study Type</td>
<td>Sample Size</td>
<td>Data Collection</td>
<td>Analysis Method</td>
<td>Number of Items</td>
<td>Dimensions</td>
<td>Range</td>
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<tr>
<td>Akbaba (2006)</td>
<td>Business hotel industry (Turkey)</td>
<td>234 guests</td>
<td>Self administered</td>
<td>Exploratory factor analysis</td>
<td>25 items</td>
<td>Perception minus expectations scores</td>
<td>Ranged from 0.71 to 0.86</td>
</tr>
<tr>
<td>Markovic (2006)</td>
<td>High education service (Croatia)</td>
<td>444 students</td>
<td>Self administered</td>
<td>Exploratory factor analysis</td>
<td>26 items</td>
<td>Perceptions only scores</td>
<td>Ranged from 0.53 to 0.78</td>
</tr>
<tr>
<td>Caro and Garcia (2007)</td>
<td>Urgent transport service (Spain)</td>
<td>375 subjects</td>
<td>Self administered</td>
<td>Exploratory factor analysis</td>
<td>36 items</td>
<td>Personal interaction (14 items), service experience (13 items), outcome (8 items)</td>
<td>Ranged from 0.74 to 0.96</td>
</tr>
<tr>
<td>Wilkin et al. (2007)</td>
<td>Hospitality service (Australia)</td>
<td>664 hotel guests</td>
<td>Self administered</td>
<td>Exploratory factor analysis</td>
<td>30 items</td>
<td>Physical product (13 items), service experience (13 items), food and beverage (11 items)</td>
<td>Ranged from 0.72 to 0.80</td>
</tr>
</tbody>
</table>

### 1.15 OUTLINE OF THE RESEARCH STUDY

This study has been divided into five chapters. The chapters follow a logical flow of discussion and support as to the introduction, research background, and conceptual model framework, related literature, and research methodology, analysis of data, findings and contribution to strategy theory and practice. The guiding principal of each chapter is to move towards answering the research questions.

The focus of Chapter 2 is to review and synthesise the relevant literature related to the different parts of the study. The study parts relate to the store choice attributes, retail strategy choices and retail service quality. The literature takes into consideration various international as well as national studies. The chapter concludes with the summary related to the various parts of the study and highlights the gaps in the literature to be addressed in the remaining chapters.

Chapter 3 helps in development of the framework for the study and how the different objectives of the study will be fulfilled. The chapter 3 discusses the salient points of
the chosen research design, and the basis for the qualitative and quantitative methods used in the study. This chapter also provides with the justification for the various selected methods, and reviews various activities involved in the development and administration of the field work.

Chapter 4 lays down the data analysis process. The various statistical results have been displayed related to all the three parts of the study. The objectives develop in the first chapter of the study are accomplished one by one with the help of various quantitative techniques. Along with the display of the results, hypothesis interpretation is also done.

The final Chapter 5 presents the findings and suggestions of the study. It also presents the limitations of the findings as well as the implications for the future research. Following the formalized chapter of the thesis, associated supporting material including references and appendices are found.

1.16 SUMMARY

As a means of introduction to the study, the intent of Chapter 1 is to provide the reader with groundwork on the basis of this study in terms of research contribution, research objectives and questions, research issues, research justification, research design and conceptual framework for the study. The Indian retail sector is undergoing major changes with national and international players introducing organised retail to the Indian customers. A variety of formats are being introduced in the market. All the major players are having presence in the market in multi formats. The response of the Indian customer has been overwhelming in the beginning and slowly weaning off towards the old traditional retailers. It is very important at this moment that such strategies are formulated and implemented which will help the retailers to attract and retain the customers to be profitable in the long run. Due to the lack of luster in the retail sector which was dominated for centuries by the unorganised sector, there have been few studies related to the retail sector. This chapter highlights objectives of study which relate to the emerging Indian retail scenario. The study draws its theoretical base from the existing conceptual models related to study of strategy and retail service quality. This theoretical framework helped in the formulation of the questionnaire, understanding of the variables and provided a thinking arena for the study. Porter's generic strategic model has been dominating corporate competitive strategy. This
model suggests that a company can choose its basis to compete by matching its competitive advantage and the target market. The model offers three choices of cost leadership, differentiation and focus. The second conceptual model relates to the service quality construct which has been altered to suit the retail sector by referring to the retail service construct. Service quality construct has been applied to different type of service industries. The service quality construct has five dimensions assurance, empathy, reliability, responsiveness and tangibles. The retail service quality construct has physical aspects, reliability, personal interaction, and problem solving and policy dimensions. The aspect of service quality in retail sector is increasingly gaining importance with increasing competition and service quality being used as a cornerstone of retailer’s strategy. And as suggested by Reichheld and Sasser (1990), service quality cannot be improved unless it is measured.

Most of the retailers are facing the problems of dwindling footfalls, intensive competition, high rents, and high staff turnover. To overcome these problems retailers need to plan and adapt to a complex environment. Both opportunities and threats have to be considered. To succeed a retailer needs to concentrate on strategic thinking which will help in creating satisfaction among the customers with the help of both products as well as services.
REFERENCES


78


82


