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Discovering service quality in retail grocery stores: A case study of Delhi

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Abstract

At present time retail industry is showing marvelous performance. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. Retail is a strong pillar of Indian economy. Modern retail in India has experienced a significant transformation over the last two decades. India is the world's fifth-largest global destination in the retail space. Overall Indian retail projected to double to \$1 trillion by 2020 from \$ 600 billion in 2015. In market potential, India ranks eleventh (after United States, China, Canada, UK, Brazil, Germany, Austria and Mexico). India's net retail sales are quite significant among emerging and developed nations; the country is ranked third (after China and Brazil). By 2018, the Indian retail sector is likely to grow at a CAGR of 13 per cent to reach US\$ 950 billion. Indian retail industry is generally divided into organized and unorganized retailing. Organized retailing refers to trading activities undertaken by licensed retailers, those who have registered for sales tax and income tax. Unorganized retailing refers to the traditional forms for low cost retailing for example paan/beedi stores, mom and pop stores. Organized retail penetration is 92% and unorganized retail penetration is 8%. In retail sector food and grocery segment has the highest growth rate. Grocery retailers witnessed a shift towards modern grocery retailers during 2014. Urbanization, high income, less availability of time, one stop shopping are some factors which endorse the growth of organized retail grocery stores. Service quality offered by these modern retail grocery stores is an area of major concern.

Purpose of the research: With the given backdrop it was decided to inquire about the service quality offered in organized retail grocery stores. The customers who visit the grocery stores with so much expectation; are they really satisfied with the service quality delivered to them. This paper is an attempt to compare the service quality offered in different organized retail grocery stores.

Research Methodology: Primary data has been collected by a sample survey of customers shopping at various grocery stores located at Delhi using convenient sampling technique. A sample of 300 respondents was approached. These respondents are from different categories of organized retail stores as Hypermarket, Supermarket and Convenience Stores. For the purpose of collecting the required data, the questionnaire method was used. A standardized questionnaire was used to solicit information on customers. To collect the primary data Retail Service Quality Scale (RSQS) developed by Dabohker et al. (1996) was used. The Retail Service Quality Scale have "Physical Aspects", "Reliability", "Personal Interaction", "Problem-Solving" and "Policy Making" as five different dimensions to measure service quality offered by retail stores. Data was interpreted by applying two ways ANOVA.

Implications: The research will be helpful to gain an understanding of the whole scenario of service quality offered. It will also provide an insight to find the gap between the satisfaction levels of the customers with respect to different types of stores due to service quality.

Keywords: Retail sector, Organized retail grocery stores, Customer satisfaction, Service quality.

Introduction

Retail Sector

At present time retail industry is showing marvelous performance. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. Retail is a strong pillar of Indian economy. Modern retail in India has experienced a significant transformation over the last two decades. India is the world's fifth-largest global destination in the retail space. Overall Indian retail projected to double to \$1 trillion by 2020 from \$ 600 billion in 2015. In market potential, India ranks eleventh (after United States, China, Canada, UK, Brazil, Germany, Austria and Mexico). India's net retail sales are quite significant among emerging and developed nations; the country is ranked third

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(after China and Brazil). By 2018, the Indian retail sector is likely to grow at a CAGR of 13 per cent to reach US\$ 950 billion.

Service Quality

Service quality is a comparison of expectations with performance. Customer satisfaction is based on perceived service quality. Improved service quality will increase the economic competitiveness. Service quality is a crucial factor for the success of the business firm; if the service provider is rightly aware about the different dimensions of the service quality then it is easy to make the customers satisfied. Existing research indicates that consumers satisfied with service quality are most likely to remain loyal (Wong and Sohal, 2003). Service quality is perceived as a tool for increasing value for the consumer; as a means of positioning in a competitive environment (Mehta, Lalwani and Han, 2000) and for ensuring consumer satisfaction (Sivadas and Baker Prewitt, 2000), retention, and patronage (Yavas, Bilgin and Shemwell, 1997). With greater choice and increasing awareness, Indian consumers are increasingly demanding better quality of service (Angur, Natarajan and Jahera, 1999) and players can no longer afford to neglect customer service issues (Firoz and Maghrabi, 1994; Kassem, 1989).

According to Parasuraman, Zeithaml and Berry (1988) service quality means the customer's overall judgment of the excellence of the service or the difference between one's expectation and the actual service performed.

Lewis and Mitchell (1990) asserted in his contribution that service quality is the extent to which a service meets customers' needs or expectations.

Levy and Weitz (2005) found that customers evaluate the retail service as a difference between the expectations they have and the service they receive. Customers are satisfied when the perceived service meets or exceed their expectations and they are dissatisfied if they receive the service below the expectations.

Ladhari (2009) found that service quality is regarded as the top priority of firms at the present time because it gives the company a competitive advantage. It also helps for future growth and increases efficiency.

Hyper Market

According to the Webster dictionary (1993) a hyper market is a superstore which combines a supermarket and a department store (where usually are sold products like apparel, furniture, appliances, electronics, and additionally select other lines of products such as paint, hardware, toiletries, cosmetics, photographic equipment, jewelry, toys, and sporting goods), being the result a very large retail facility which carries an enormous range of products under one roof, including full lines of groceries and general merchandise.

Super Market

According to the Webster International dictionary (1993), a Supermarket is a self-service store or independent retail market offering a wide variety of food and household merchandise, organized into departments. It is larger in size and has a wider selection than a traditional grocery store and it is smaller than a hypermarket or superstore.

Convenience Stores

These are relatively small stores located near residential area, open for long hours seven days a week, and carrying a

limited line of high turnover convenience products at slightly higher prices than departmental stores.

Objective of the Study

The objective of the paper was to make a comparison of service quality offered by different organized retail grocery stores in different parts of Delhi.

Hypothesis of the Study

H01: There is no significant difference in service quality offered by different types of organized retail grocery stores.

H11: There is significant difference in service quality offered by different types of organized retail grocery stores.

Research Methodology

This research was based on the survey using the structured questionnaire. The sample group of 300 respondents was the organized retail grocery stores customers from three different types of stores – hyper stores, super stores and convenience stores. Random convenient sampling was used in the present research. The study was confined to Delhi only. Retail Service Quality Scale was used as measurement instrument. Retail Service Quality Scale (RSQS) is a scale to measure the quality in service sector. It was developed by Dabholkar, Thrope and Rentz (1996). It is multi item scale which was developed to access customer perception of service quality in service and retail businesses. The Retail Service Quality Scale have “*Physical Aspects*”, “*Reliability*”, “*Personal Interaction*”, “*Problem-Solving*” and “*Policy Making*” as five different dimensions to measure service quality offered by retail stores. Likert's five point scale was used to rate all the variables. Data was interpreted by applying two ways ANOVA.

The details of these dimensions are given below:

- **Physical Aspects:** Physical aspects include fixture and equipment, physical facilities, material associated with store's service, convenience of physical facilities and layouts. It also includes the appearance of the facilities and the convenience offered to the customer by the layout of physical facilities.
- **Reliability:** Reliability means promises to do something, providing right service, available merchandise and error-free sales transactions and records.
- **Personal interaction:** Personal interaction dimension of retailers includes employees having knowledge to answer questions, inspiring confidence, providing prompt service, willing to respond to customer's requests, giving customers individual attention, showing consistent courtesy with customers and even treat customers properly on the phone.
- **Problem-solving:** Problem solving includes handling of returns, exchanges and complaints. The problem solving dimension of retailers includes: willingness of retailers to handle returns and exchanges, sincere interest in problem and handling customer complaints directly and immediately.
- **Policy Making:** This dimension includes that aspects service quality that is directly influenced by retailers' policy. It includes high quality merchandise, convenience of parking and operating hours as well as accepting major credit cards.

Analysis and Interpretations

Table 1: Mean values for Service Quality in Organized Retail Grocery Stores

Area	Stores		
	Hyper stores	Super Stores	Convenience Stores
South Delhi	3.6	3.5	3.3
East Delhi	3.5	3.2	3.2
West Delhi	3.3	3.1	3
Central Delhi	3.4	3.2	3

Table 2: Two way ANOVA table for Service Quality in Organized Retail Grocery Stores

Sources of Variation	Degree of Freedom	Sum of Squares	Mean Squares	F
Treatments (Area)	3	0.18	0.06	0.33/0.0125 = 12
Blocks (Stores)	2	0.21	0.105	0.0875/0.0125 =21
Error (Chance)	6	0.03	0.005	
Total	11	0.42		

The computed F values are greater than the corresponding table values at 5% level of significance; the null hypothesis is rejected in both cases. Therefore it can be concluded that there is a difference in service quality offered due to different types of organized stores and because of area where the stores are located. We can say that there is a gap between the satisfaction levels of the customers with respect to different types of stores due to service quality.

Conclusion

Measuring service quality seems to pose difficulties for service providers because of unique characteristics of services such as intangibility, heterogeneity, inseparability and perishability (Bateson 1995). Service quality is a mean of positioning in a competitive environment to ensure consumer satisfaction, retention, and patronage. Organized retail penetration is 92% and unorganized retail penetration is 8%.In retail sector food and grocery segment has the highest growth rate. Grocery retailers witnessed a shift towards modern grocery retailers during 2014. Demographic changes, rising income, availability of quality retail space, wider brand choice, better marketing communication, urbanization, high income, less availability of time and one stop shopping are some factors which endorses the growth of organized retail grocery stores. By emphasizing on service quality retailers can accomplish loyalty of the customers and create a success story for themselves.

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