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**A CRITICAL STUDY ON THE RELATIONSHIP
BETWEEN SERVICE QUALITY AND CUSTOMER
SATISFACTION IN RETAILING**

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A Critical Study on the Relationship between Service Quality and Customer Satisfaction in Retailing

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Abstract – Service Quality within retail units is pivotal for satisfying customers, retaining them and creating loyalty amongst customers. This research is done to analyze the gap between perceptions and expectations of the customer, concerning with the service at retail units in the India. Customer Satisfaction level is assessed for the services offered at selected retail units. Five dimensions in service quality (servqual), tangibility, reliability, responsiveness, empathy, and assurance (Parasuraman, Zeithaml, & Berry, 2005) have been considered for this empirical research.

INTRODUCTION

General purpose of this research to know some factors that impact customer satisfaction. The purpose are (1) to describe applied of service quality (servqual) dimension in retail Business (2) to know service quality (servqual) dimensions that make customers satisfied, and (3) to know service quality (servqual) dimensions that are dominant in influencing customer satisfaction. The research methodology was carried out in a survey cross-sectional applied to 369 respondents. The data obtained was analyzed by using reliability method, correlation and regression. Result of research showed that services offered by retail units have positive impact and are significant in building customer satisfaction.

Findings of this empirical research reiterate the point of view that Service Quality dimensions are crucial for customer satisfaction in retailing – a burgeoning sector with high growth potential and opportunities in fast growing economies like India's.

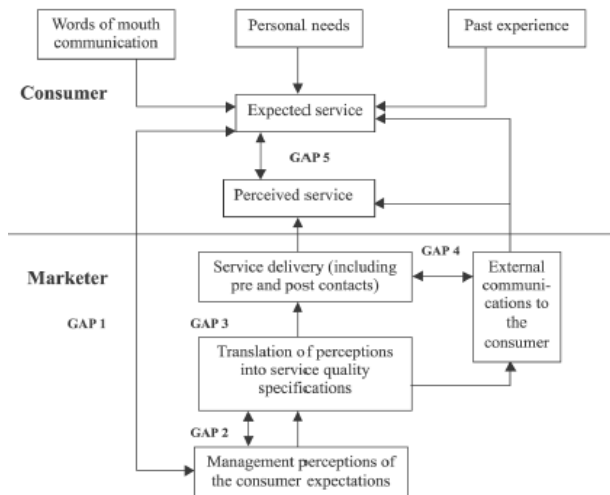
Measuring service quality is difficult due to its unique characteristics: Intangibility, heterogeneity, inseparability and perishability (Bateson, 2005). Service quality is linked to the concepts of perceptions and expectations (Parasuraman *et al.*, 2005, 2008; Lewis and Mitchell, 2000). Customers' perceptions of service quality result from a comparison of their before-service expectations with their actual service experience. The service will be considered excellent, if perceptions exceed expectations; it will be regarded as good or adequate, if it only equals the expectations;

the service will be classed as bad, poor or deficient, if it does not meet them (Vázquez *et al.*, 2001).

Based on this perspective, Parasuraman *et al.* developed a scale for measuring service quality, which is mostly popular known as SERVQUAL. This scale operationalizes service quality by calculating the difference between expectations and perceptions, evaluating both in relation to the 22 items that represent five service quality dimensions known as 'tangibles', 'reliability', 'responsiveness', 'assurance' and 'empathy'.

Service quality in retailing is different from any other product/service environment (Finn, 2004). Because of the unique nature of retail service, improvements and measurements of quality in retailing cannot be approached in the same way as that of the services perspective. In retail service, it is necessary to look at quality from the perspective of services as well as goods and derive a set of items that accurately measure this construct (Mehta *et al.*, 2000).

Figure 1: GAP model



For this reason, Dabholkar *et al.* (2006) developed and empirically validated the Retail Service Quality Scale (RSQS) to capture dimensions important to retail customers based on the triangulation qualitative research technique. They conducted qualitative research using three different methodologies - phenomenological interviews, exploratory depth interviews, and tracking the customer through the store.

Dabholkar *et al.* (2006) proposed that retail service quality has a hierarchical factor structure comprising five basic dimensions, namely 'physical aspects', 'reliability', 'personal interaction', 'problem solving', and 'policy', with first three basic dimensions having two sub-dimensions each and overall service quality as a second order factor.

The sub-dimensions of the basic dimension 'physical aspects' are: 'appearance' and 'convenience'; the sub-dimensions of the basic dimension 'reliability' are: 'promises' and 'doing it right'; and the sub-dimensions of the basic dimension 'personal interaction' are: 'inspiring confidence' and 'courteousness/helpful'.

Dabholkar *et al.* (2006) replicated their own study and found all the RSQS dimensions and sub-dimensions to be valid in the U.S. Mehta *et al.* (2000) found the RSQS scale was superior within the context of a 'more goods and less services' environment.

Boshoff and Terblanche (2007), in a replication of the Dabholkar *et al.*, (2006) study, report highly encouraging results for the RSQS applicability in the context of department stores, specialty stores and hypermarkets in India. However, the applicability of the RSQS or other scales has never been tested in the context of transition economies.

During the past few decades service quality has become a major area of attention to practitioners, managers and researchers owing to its strong impact on business performance, lower costs, customer satisfaction, customer loyalty and profitability.

There has been a continued research on the definition, modeling, measurement, data collection procedure, data analysis etc., issues of service quality, leading to development of sound base for the researcher.

Satisfying customers is one of the main objectives of every business. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost.

Management and marketing theorists underscore the importance of customer satisfaction for a business's success.

Accordingly, the prestigious Malcolm Baldrige National Quality Award recognizes the role of customer satisfaction as the central component of the award process (Dutka, 2003).

LITERATURE REVIEW

Good customer satisfaction has an effect on the profitability of nearly every business. For example, when customers perceive good service, each will typically tell nine to ten people. It is estimated that nearly one half of American business is built upon this informal, "word-of-mouth" communication (Gitomer, 2008).

Improvement in customer retention by even a few percentage points can increase profits by 25 percent or more (Griffin, 2005). The University of Michigan found that for every percentage increase in customer satisfaction, there is an average increase of 2.37% of return on investment (Keiningham & Vavra, 2001). Most people prize the businesses that treat them the way they like to be treated; they'll even pay more for this service.

However, a lack of customer satisfaction has an even larger effect on the bottom line. Customers who receive poor service will typically relate their dissatisfaction to between fifteen and twenty others. The average American company typically loses between 15 and 20 percent of its customers each year (Griffin, 2005). The cost of gaining a new customer is ten times greater than the cost of keeping a satisfied customer (Gitomer, 2008).

In addition, if the service is particularly poor, 91% of retail customers will not return to the store (Gitomer, 2008). In fact, if the service incident is so negative, the negative effects can last years through repeated recollection and recounting of the negative experience (Gitomer, 2008; Reck, 2001).

The message is obvious - satisfied customers improve business and dissatisfied customers impair business (Anderson & Zemke, 2008; Leland & Bailey, 2005). Customer satisfaction is an asset that should be monitored and managed just like any physical asset. Therefore, businesses that hope to prosper will realize the importance of this concept,

putting together a functional and appropriate operational definition (McColl-Kennedy & Schneider, 2000). This is true for both service-oriented and product-oriented organizations (Sureshchander, Rajendran, & Kamalanabhan, 2001).

The primary issue with developing an operational definition with the specific components of customer satisfaction is to clearly identify the nature of the organization's business. This further extends into the effective collection, analysis and application of customer satisfaction information.

Services and products are the two major orientations of business. Products also referred to as goods, are the physical output of a business. These are tangible objects that exist in time and space. These are first created, then inventoried and sold. It is after purchase that these are actually consumed (Sureshchander, Rajendran, & Kamalanabhan, 2001; Berry, 2000).

Products might include computers, automobiles, or food at a restaurant. Services, on the other hand, are less materially based. In fact, Bateson noted that there is one major distinction between a service and a product. This differentiation is the intangible nature of a service – it cannot be touched, held, and so on.

Another difference is the issue that consists primarily of social interactions or actions (Berry, 2000). The consumption of a service involves the interaction between the producer and the consumer. Also, services are produced and consumed simultaneously (Carman & Langeard, 2000).

Services might include computer repair, automobile sales, or the attendance of a server at a restaurant. Delivering quality service is a business necessity (Cullen, 2001).

COMPONENTS AND REQUIREMENTS OF CUSTOMER SATISFACTION

The concept of customer satisfaction is composed of several components from distinct sources (McColl-Kennedy & Schneider, 2006). Customer satisfaction begins with clear, operational definitions from both the customer and the organization.

Understanding the motivations, expectations, and desires of both gives a foundation in how to best serve the customer. It may even provide information on making improvements in the nature of business. This is the heart of research into customer satisfaction (Naylor & Greco, 2002). The importance of clearly defining the key concepts and elements of satisfaction provide a template by which information can be gathered about what is, and what is not, working. This includes both the hard measures – those that are more tangible and observable (i.e., number of complaints,

average wait time, product returns, etc) and the soft measures – those less tangible aspects (i.e., friendliness, helpfulness, politeness, etc) (Hayes, 2008). These definitions often start with the most vague and general and become more to the highly specified and precise examples. The bottom line is that in order to know about customer satisfaction, one needs to know what to look for (Mitchell, 2009).

The organization needs to seek this information from both within and without. The organizational requirements of customer satisfaction are the internally based processes, components, standards, and criteria that a business strives to achieve. These are the performance goals and benchmarks set forth by the business, for the business. These are the elements of corporate culture (Hayes, 2008).

Meeting or exceeding these is often an indicator of success or failure. At times, these indigenous components of customer satisfaction may overlap with those set forth by the customer; at others they may be divergent.

Those processes, components and standards that are deemed important by the customer are another important source of information. In order for a business to meet the needs and desires of the customer, the business must know the needs and desires of the customer. This information is vital not only for successful business, but also for understanding and improving customer satisfaction. This important component helps to set the standards and components of satisfaction from the perspective of the consumer (Hayes, 2008).

Satisfaction dimensions are developed from the previously identified requirements. These are the specific components that make up the requirements. For example, if a customer and organizational requirement is for customer service, the satisfaction dimensions may include interactions, timeliness and responsiveness. These are the clusters that define the requirements (Hayes, 2008).

Critical incidents are the specific operations that relate to the satisfaction dimensions. These are often the concrete and measurable behaviours and actions of employees, groups, or organization. This may also include policies, procedures, and protocols in place within an organization (Hayes, 2008).

From this continued definition and distillation of various sources of data, the actual development of a customer satisfaction instrument or tool can begin in earnest. As always, the planning of the research is the most important component in a successful information-gathering process. It is further helpful that a model of customer satisfaction that incorporates the

organizational and customer requirements exists and is applicable in practice.

CONCLUSIONS

1. Based on the results obtained by researcher, the following conclusions are:

a. Customers have highest expectations on the promptness of service, accuracy of transactions, security issues and concerns; the customer's lowest expectations are cleanliness, ambience, etc. It must however be noted here that this rating is a comparative assessment and therefore this dimension of service quality scores lower in comparison to promptness, security and other security related issues.

The dimension 'Staff performance' in our informal interviews was reported to be satisfactory by the respondents and therefore did not expect substantial improvements in their performance.

b. Customers reported highest satisfaction for promptness and speed of service along with accuracy of transactions at cash counters. They were also satisfied with the processing of transactions and efforts to expedite processing whenever the traffic at the counters increased. The lowest satisfaction levels were reported at the willingness of staff to assist customers in accessing facilities, assortments, information on products, stock positions etc.

2. It is very obvious from the results that Pantaloons Future Group is doing very well in the retail segment and has been able to deliver quality service in their retail outlets. Dimensions like attention to details, promptness in addressing complaints; initiation of corrective action on faulty transactions and goods is sought by the respondents. These issues could be prioritized as the most important ones for offering better and improved service quality to customers and to make shopping a pleasurable experience.

3. Improvements that can be done by management are:

i. Improving communication amongst staff members, using updated systems to process complaints, and ensuring error-free transactions.

ii. Training of staff to enable them in assisting customers and provide them with relevant and timely information. Courtesy, etiquette and communication skills could be honed through continuous training of the staff.

iii. Improvements in the ambience of the outlet, better shelves and space management, clear electronic sign posts, clean walkways and aisles, lighting, promotional islands, etc should improve overall shopping experience for customers.

iv. Provision for children's area, food courts, adequate parking space, security, and ATM facilities could provide hassle free shopping experience for customers.

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