

An Empirical Investigation Into Service Quality Dimensions Of Organized Retail Supply Chains In India

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ABSTRACT

The global marketplace has practically enforced the retail sector to change itself into a truly customer oriented, value based enterprise. The purpose of this paper is to analyze the quality aspect in the retail sector firms forming the supply chain through resources allocation, procurement and final implementation of capabilities. The study is based on responses of 100 shoppers of retail stores varied in their size from small grocery stores to hypermarkets with regards to “expected” & “perceived” service quality. Analysis is based on Retail Service Quality Scale (RSQS) method by keeping 5-dimensions (physical aspects, reliability, personal interaction, problem-solving and policy) of service quality by Retail Quality measures (Dabholkar, et al. 1996). This paper seeks to identify some critical factors influencing the quality in retail sector and could be used as a basis for enterprises and researchers in differentiating the good and poor quality of practice of Supply chain applications. Its focus is on: attainment of appropriate innovations in retail sector, which could yield benefits in the new organizational arrangements.

Keywords: Retail Supply Chain Management, Service Quality, RSQS, SERVQUAL

INTRODUCTION

The supply chain, which is also referred to as the logistics network, consists of suppliers, manufacturing centers, warehouses, distribution centers, and retail outlets, as well as raw materials, work-in-process inventory, and finished products that flow between the facilities. Retailing is one of the emerging sectors which determine the efficiency of supply chain management and changing more rapidly than ever before (Dabholkar, 1996). The retail supply chain is characterized by rising competition from both domestic and overseas companies, a wave of mergers and acquisitions, and more sophisticated and demanding customers who have great expectations (Sellers, 1990; Smith, 1989). Consequently, retailers today must differentiate themselves by meeting the needs of their customers better than their competitors. There is general agreement that a basic retailing strategy for creating competitive advantage is the delivery of high service quality (e.g., Berry, 1986; Hummel and Savitt, 1988; Reichheld and Sasser, 1990).

Retailing in India is gradually inching its way towards becoming the next boom industry. A successful retail

enterprise needs to have a vast network of people and error-free processes in place. At the same time, the urban Indian household income and purchasing power are also on the rise. Under such circumstances, the success of organized retailing in India mainly depends on delivery of services through quality improvements. In service organizations, customer-perceived service quality is considered as one of the key determinants of business performance. In this study, Quality aspect of SCM in retail sector is used to describe various management efforts for managing supply function through establishing close and long-term buyer-supplier relationship in order to improve the overall organizational quality performance. The development of research instrument is then described and scale items are examined to ensure reliability and validity as well as the results of analysis are discussed and recommendations for future study are given.

REVIEW OF LITERATURE:

Over the years, many researchers have proposed and evaluated alternative service quality models and instruments for measuring service quality. Among these models, SERVQUAL (Parasuraman, et al. 1985) is the most prominent and the most widely used.

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The authors of this model proposed that the consumer's opinion of quality is formed by an internal comparison of performance with expectations. Good service quality means that the customers' perceptions of service performance meet or exceed their expectations of what the service firm should provide. Through in-depth interviews and focus group discussions with firms in four different service industries, Parasuraman, et al. (1985) identified five determinants of service quality which include tangibles, reliability, responsiveness, assurance, and empathy. The SERVQUAL proposes a gap based conceptualization of service quality where the gap indicates the extent to which the service obtained confirms to expectations (Parasuraman, et al., 1988).

Dabholkar, et al. (1996) proposed an instrument based on SERVQUAL which measures service quality in a retailing environment is known as Retail Service Quality Scale (RSQS) method. This instrument also captures, apart from the common dimensions that are likely to be shared by pure service environments and retail environments, additional dimensions of retail service quality relevant to the retail environment. However, very few studies have utilized the instrument for evaluating service quality of retail stores. Like SERVQUAL, the reliability and validity of this instrument could also be questioned in RSQS. Only one study by Boshoff and Terblanche (1997) was found which evaluated the reliability and validity of the instrument in South African retail environment. Although the study found the instrument to be valid and reliable for measuring retail service quality in South Africa, its applicability in India must be investigated through a formal research.

Dabholkar, et al. (1996) proposed RSQS method consists of five dimensions such as physical aspects, reliability, personal interaction, problem solving, and policy. The first proposed dimension is physical aspects include the appearance of the physical facilities and the convenience offered to the customer by the layout of the physical facilities. Retail literature suggests that store appearance is important to retail customers (Baker, et al. 1994). The second proposed dimension is reliability encompasses as a combination of keeping promises (Dabholkar, et al. 1996). Westbrook (1981) found that availability of merchandise is also a measure of reliability. The third proposed dimension is personal interaction. The

customers view as service employees inspiring confidence and being courteous / helpful. The fourth proposed dimension is problem solving which addresses the issues of handling of goods returned and exchanges as well as complaints. Service recovery is recognized as a critical part of good service (Hart, et al. 1990; Kelley and Davis, 1994). Recognizing and resolving problems should emerge as a separate factor in customer evaluation. Westbrook (1981) found that customers were quite sensitive to how service providers attend to problems and complaints. Westbrook (1981) and Mazursky and Jacoby (1985) also mentioned that the ease of returning and exchanging merchandise is very important to retail customers. The fifth proposed dimension is policy captures aspects of service quality that are directly influenced by store policy. It is viewed as whether the store's policy is responsive to customers' needs. Westbrook (1981) and Mazursky and Jacoby (1985) reported that an important criterion on which customers evaluate stores is the credit and charge account policies of the store. Customers also appear to value parking availability for retail shopping (Oliver, 1981).

RESEARCH OBJECTIVES:

Based on the above dimensions, the proposed measurement tool by Dabholkar, et al. (1996) may be suitable for studying retail businesses that offer a mix of services and goods, such as department or specialty stores, gathering benchmark data regarding current levels of service quality, and conducting periodic 'checks' to measure service improvement. The instrument could also serve as a diagnostic tool to determine service areas that are weak and that need attention. If the RSQS is found to be valid and reliable it will be the first such instrument available to Indian retailers. If not, then researchers and retailers alike would be forewarned about using an unreliable scale for measuring retail service quality in India. Therefore, the study had three research objectives:

1. To assess the internal reliability of the retail service quality instrument proposed by Dabholkar, et al. (1996).
2. To evaluate the validity of the scale in retail supply chain management.

3. To carry out the gap analysis and identification of areas for improvements in retail service quality.
4. The objective of this study is to assess the applicability of the RSQS for measuring service quality in India.

LIMITATION OF THE STUDY:

There are several limitations that need to be acknowledged. The prime limitation is the time factor i.e., the short time duration is the most obstacles to complete the study. The data were collected in a small sample and due to busy schedule of customers and also personal problems etc. It is very difficult to get information from them. Finally the data collection is affected due to personal bias of the customers. Also, the measurement instrument used in this study i.e., RSQS measures was used by fewer researchers in their studies. However, in spite of its wide applicability and rigorous development, the use of the instrument should be properly tested under different contexts in order to determine its validity and reliability.

METHODOLOGY AND MEASURES:

Population was defined as active retail shoppers. The sample consisted of 100 retail shoppers in a mall intercept-type situation. In this study, half of the respondents (53%) were female and half (48%) were housewives. The respondents were mostly between the ages of 22 and 50 (72%). Sixty-five per cent (65%) of the respondents were married. Personal interviews were conducted immediately after the completion of the shopping experience. Retail shoppers were selected for analysis because they offer a mix of merchandise and service while individual retail shops were identified on a convenience-sampling basis. In the study, 15 retail stores were selected from Bhubaneswar, varied in their size from small grocery stores to hypermarkets across industries such as food, clothing, consumer durables, books, music, etc. Shoppers were selected randomly and interviewed

while they waited in a queue to pay for their goods. Some of them were interviewed while they were having refreshments after they had finished their shopping. There are altogether 26 items were included in the questionnaire pertaining to the customers' perception and expectation about the stores with the objective of assessing the predictive validity of the RSQS.

The instrument RSQS, proposed by Dabholkar, et al. (1996) was used as the questionnaire which employed a 5-point Likert scale (1-strongly disagrees, 5-strongly agree). Further it is hypothesized that there will not be any significant gaps in the perceived and expected service quality as responded by the customers of retail sector. The hypothesis has been tested against the personal and demographic profile of customers, and the results thereof have been presented accordingly. In order to test the validity of the RSQS structure in retail service quality for Indian retail stores, an exploratory factor analysis on perceptions, expectations, and gap scores for respondents was performed. This was performed separately on perceptions, expectations, and gap scores for checking the applicability of gap analysis for the factor structure (Zhao, et al. 2002) using the principal components factoring method and Varimax rotation with Kaiser normalization. In order to test the reliability of the overall instrument, Cronbach's Coefficient Alfa was computed using data on the perceptions, the expectations, and the differences between the perceptions and the expectations.

ANALYSIS AND INFERENCES:

The analysis of the reliability and validity of the RSQS scale is followed by the assessment of the scale component factor structure. The gap between perception and expectation of customers of 26 items are shown in Table 1 and consequently, Table 2 represents the significant gap between perception and expectation of customers of 5 dimensions. Both the tables contains factor values for the significance of the study are revealed below.

Sl. No.	Items	Gap (P-E)
1	This store has modern and updated fixtures.	-0.546760
2	The physical facilities at this store are visually appealing.	-0.388890

3	Providing associate materials in services (viz. shopping bags, etc.).	-0.545660
4	This store has clean, attractive, and convenient public areas.	-0.541350
5	The store layout at the store makes it easy to find what they need.	-0.637450
6	Provide abundant parking facilities for vehicles of customers.	-0.645360
7	The store promises to do must be implemented by it	-1.197550
8	This store performs the service right at the first time	-0.243670
9	This store has merchandise available when the customers want it	-0.010560
10	This store undergoes error-free transactions and records	-0.181780
11	Employees have the knowledge on customers questions	-0.675450
12	The behaviour of employees in this store inspires confidence	-0.478560
13	Customers feel safe in their transactions with this store	-0.403890
14	Employees in this store give prompt service to customers	-0.625380
15	Employees in the store tells exactly when services will be performed	-0.523450
16	Employees in this store are never too busy to respond to customers' request	-0.132430
17	This store provides customers individual attention	0.011910
18	Employees in this store are consistently courteous with customers	-0.242210
19	This store willingly handles returns and exchanges	-0.786610
20	When a customer has a problem, the store shows sincere interest in solving.	-0.685640
21	Employees in this store are able to handle customer complaints immediately	-0.535320
22	This store offers high quality merchandise	0.091020
23	This store provides plenty of convenient parking for customers	-1.162210
24	This store has operating hours convenient for all its customers	-0.323230
25	This store accepts most major credit cards	-0.333330
26	This store offers its own credit cards	-0.717170

Table 1: Gaps between Perception and Expectation (P-E) of overall items

From Table 1, it is clear that a negative gap was found in all items except item 17 & 22. This indicates that the service quality of retail stores at an overall level falls far behind the customer expectations. The

highest gap (-1.16) among all the items was found to be in item 23 which is quite greater than the gaps in other statements. Though big retail stores promise comfortable parking of their vehicles in their communication to customers, this happens only in non-peak hours. During peak hours, the parking facilities fall short of customers' requirements. This may be due to lack of proper planning and design of parking facilities. In most of the cities in India, prevalent multi-storied parking is still not well

adopted and the ground level parking takes a lot of space which multiplies the parking problem. The second largest gap (-1.9) among all the items was found to be in item 7 and the lowest gap (0.09) was found to be in item 22 followed by item 17 with gap (0.01) which shows that while stores are indeed successful in ensuring availability of high quality goods, they have, however, failed in fulfilling promises. Proper maintenance of customer information database can help in reducing this gap.

Sl. No.	Dimension	Gap (P-E)
1	Physical aspects (1-6)	-0.55091
2	Reliability (7-10)	-0.40839
3	Personal interaction (11-19)	-0.39758
4	Problem solving (20-22)	-0.37998
5	Policy (23-26)	-0.34343
Overall (26 items)		-0.41606

Table 2: Gaps between Perception and Expectation (P-E) of overall Dimensions

The results show that there exists a significant gap between expectation and perception of consumers of retail chain. It also reveals that expectation scores are much higher than their perception. The table-2 reveals that the dimensions of Policy and Problem solving have least gap scores viz. 0.34 and -0.38 respectively; on the other hand dimensions of Personal interaction, Physical aspects and Reliability have highest gap score.

Overall, in spite of the lack of proper factor structure as revealed by the analysis of data, the simple gap analysis of the item average scores points out to the need for considerable improvements in the retail stores' service quality in all aspects.

CONCLUSION

The five-factor structure of service quality developed by Dabholkar, et al. (1996) indeed had a major impact on the business and academic communities. Although this study shows that the data collected do not support their five-factor structure, the five dimensions are still useful as a foundation for discussion and determination of areas for improvement in the service

quality of retail stores. Undoubtedly all the retail stores require improving their service standards as par with customers' requirement especially the dimensions like- Personal interaction, Physical aspects and Reliability. This study also found that the gap model of service quality does not perform as well as the perceptions based performance measures of service quality in terms of its factor structure. Indian consumers perceive all these as policy related matters. This also explains why the Personal interaction dimension correlates highly with the Policy dimension.

As organized retailing develops in India, retail stores in India will have to improve the quality of their services significantly in order to compete successfully in the global marketplace. It is, therefore very important to know how customers evaluate service quality and what can be done to measure and improve it. Further research in the area of service quality under such circumstances would soon be in great demand and would be contributing to retail development.

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