

Establishing Quality Framework for Retail Services

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Abstract: *Business synergies need to be channelized for the maximisation of customer value. Service quality is an essential approach in gaining competency over rivals and it ensures a firm's long term stay in the market. Service quality has been commonly stated as a decisive strategy for managerial officials in contemporary organizations. Economies across the world have witnessed the crucial role played by retail services in a country's growth and development. Retail in India, at present, is going through a transformational phase. As retail gets organized and as foreign retailers embark in the Indian retail sector, the retail scenario in the country seems full of opportunities and challenges. Retailers in India need to devise competent marketing strategies to succeed in the aggressive marketplace. Researchers and academicians have addressed service quality as a significant issue to be reflected upon by service marketers. Service quality can provide comprehensive understanding and assessment of retailers' performance. In this background, this research paper aims to delve into critical retail dimensions contributing towards the quality of retail services and seeks to guide the retailers in the Indian retail market with a valid and reliable service quality scale.*

Keywords: *Service quality, retail, customers' perceptions, retail service quality scale*

1. INTRODUCTION

The importance of quality in generating perpetual contentions advantage is being widely accepted (Berry 1986; Hummel & Savitt, 1988; Reichheld & Sasser 1990; Iacobucci et al., 1994; Ghobadian et al., 1994; Storbacka et al., 1994; Sureshchandar et al., 2002). Retailers can succeed the fierce battle created by the market forces with the strategic service quality tool (Kandampully, 1997; Mehta et al., 2000; Vazquez et al., 2001; Janda et al., 2002; Ma & Niehm, 2006; Lee-Ross, 2008; Plooy et al., 2012; Kimani et al., 2012). Organizations need to prioritise the concept of service quality with regular assessment and control. An organization can enhance the quality of services provided only when it has an adequate measure to investigate service quality (Reichheld & Sasser, 1990). In this background, the present study seeks to explore perceptions of Indian retail customers in understanding and developing service quality scale.

2. RATIONALE FOR RESEARCH

The current market scenario characterised by compelling environmental forces makes it imperative for the marketers to

adopt a quality centric approach (Parasuraman et al., 1985; Reichheld & Sasser, 1990; Zeithaml et al., 1996). Modern retail being a recent phenomenon in India, researchers need to pay adequate attention to the critical issue of service quality (Kaul, 2005; Sinha et al., 2011; Zameer & Mukherjee, 2011; Bhaskar & Shekhar, 2011; Tanwar et al., 2012). While extensive research has been carried out in developed countries (Herbig & Genestre, 1996); research on service quality in India is at a nascent stage. In response to the inadequacies of the established service quality scales in assessing retail service quality in Indian context, the present study aims to fill this gap by developing and validating a service quality scale within the context of Indian retail.

3. CONCEPTUAL FOUNDATIONS AND HYPOTHESIS

The term quality means different thing to different people (Juran, 1974; Crosby, 1979; Parasuraman et al., 1985; Zeithaml et al., 1990). The development of the service quality concept is characterised by multiple perspectives offered by different researchers (Reeves & Bednar, 1994). Quality has been associated with excellence/value (Teas, 1993; Rust and Oliver, 1994), customer's impression (Berry et al., 1980; Bitner and Hubbert, 1994), long term evaluation (Cronin and Taylor, 1994) and congruence to specifications or meeting/exceeding customers' expectations (Lehtinen and Lehtinen, 1982; Gronross, 1984; Parasuraman et al., 1988; Boulding et al., 1993; Roest and Pieters, 1997). The construct lacks a global definition and is most commonly understood in the form of customers' expectations and perceptions. The multidimensional investigation of service has been popularly used in conventional as well as consequential models of service quality (Dabholkar et al., 2000). Both Literature reveals the use of multiple dimensions as well as multiple levels for assessing service quality. Thus, there is no standard factor structure for service quality.

4. RESEARCH OBJECTIVE

The purpose of this study is to propose and establish a basis for the assessment of service quality in retail- specifically for Indian retail and to validate this scale empirically. The study

also aims at analysing customers' perceptions on the validated scale to explore the most crucial service quality parameters.

5. STUDY DESIGN AND PROCEDURE

The study follows dual methodology based on exploratory and descriptive research approaches. The exploratory process involved literature analysis, interviews with customers, expert analysis, reliability and validity tests and exploratory factor analysis. Confirmatory Factor Analysis was used as the statistical technique to confirm the factor structure for retail service quality.

Data was collected from the customers of department stores and hypermarkets in Delhi and NCR regions, using mall-intercept technique. Out of total 400 questionnaires, 350 turned out to be useful for carrying out the analysis. A structured non-disguised questionnaire with the response collected on a 7 point likert scale was used for the survey.

6. EMPIRICAL FINDINGS

6.1 Initial Results

With the help of exploratory factor analysis, the underlying factor structure for retail service quality was explored. Extensive literature review was conducted to establish the domain for retail service quality. Depth-probe interviews conducted with customers generated a pool of 73 items, which after the cross verification by experts & retail managers and validity & reliability analysis got reduced to 28 items. The questionnaire was designed on a 7-point scale and was administered to obtain customers' perceptions regarding retail service quality on a select group of respondents employing mall intercept technique. 150 respondents were surveyed yielding 101 usable questionnaires by administering the research instrument. The data collected was subjected to exploratory factor analysis. Seven dimensions were identified through the exploratory process (figure 1).

Service quality in Indian retail was seen composed of dimensions such as ambience & layout, salespeople, merchandise, services, prices and customer care. The first dimension is concerned with the physical characteristics of the retail store. The second dimension relates to the sales staff of the retail store. It encompasses the behaviour of salespeople and evaluates the ability of the salespeople to guide customers. The third dimension relates with the merchandise provided in the retail store in terms of adequate variety, wide range, latest trends and quality. The fourth dimension finds the convenience provided by the retailer to the customers in accessing the store and the products. The fifth dimension is related with the billing and crowd management at the retail store. Next dimension is concerned with the prices charged by the retailer. The last dimension throws light on the retailers' efforts to protect customers' interests.



Fig. 1: The seven dimensions of retail service quality

6.2 Main Results

The dimensions derived through exploratory factor analysis were subjected to confirmatory factor analysis in order to confirm the factor structure. This was done using AMOS.

Measurement Model

The first order model of retail service quality comprises of seven dimensions measurable through 28 observable items. The relevant fit indices indicated that the initial model proposed for the measurement of retail service quality has a moderately good fit to the observed data. The normed chi square statistic (CMIN/DF) is well below the threshold limit of 3.0 (Wheaton et al., 77). CFI exceeded the recommended level of 0.95 (Hu and Bentler, 99), RMSEA value of 0.054 falls below the recommended value of 0.06 (Hu and Bentler, 99). SRMR, based on square root of difference of residuals of sample covariance matrix and hypothesised covariance model, falls well below the recommended level of 0.10 (Hu and Bentler, 99). The standardized regression weights for the variables ranged from 0.720 to 0.969, all greater than 0.5 (Hair et al., 06). The correlations between the service quality dimensions were all positive and the squared multiple correlations ranged from 0.518 to 0.940, satisfying the threshold limit of 0.25 (Hair et al., 06). The p values indicated that all regressions are statistically significant at 0.1% significance level. This implies that the variables proposed in the model are important for assessing retail service quality.

Validating Retail Service Quality Scale

The service quality dimensions derived through Exploratory Factor Analysis were subjected to reliability and validity tests. For ascertaining uni-dimensionality, each of the proposed factors of retail service quality was subjected to EFA individually. On the basis of eigen value greater than 1 heuristic, the factors related to one dimension extracted one principal component accounting for majority of total variance

in the case. Composite Reliability was confirmed with reliability coefficients of all the components satisfying the threshold limit of 0.7 (Hair et al., 06). The retail service quality scale for the present study was derived from a careful literature review and assessed with both exploratory and confirmatory samples and thereby the content validity was established. The AVE values for the service quality components were greater than 0.50, indicating that the variables of a given construct shared a high proportion of variance in common and thus the condition for convergent validity was satisfied. Discriminant validity of the construct was ascertained as the square root of average variance extracted AVE (the diagonals) for all the components was greater than the correlations between the components (Hair et al., 06).

7. CONCLUSION AND IMPLICATIONS

The present study gives insights into the construct of service quality in Indian retail environment. The article comprehends service quality in retail setting both theoretically and empirically. It contributes to the services marketing literature in terms of construct modeling and strategy implementation by explaining what dimensions should constitute service quality in retail context. Contemporary market structures with stiff competition make it imperative for the retailers to deliver high levels of service quality. Service quality is identified as one of the strong pillars of enduring organizations. Long term relationships with customers are based on organizational efficiency in implementing and enhancing quality parameters (Pepur et al., 2013). Investments in service quality give multiple returns to the service firms. Adequate attention should be paid by retail managers to the service quality construct in order to build a loyal customer base as superior service quality is necessary for both customer attraction as well as customer retention. Service quality creates differential advantage and improves the position of a firm among competitors.

The conceptual model as proposed in the study reflects the components that make up retail service quality. The study makes a significant contribution by analyzing service quality for the growing modern retail sector in India. Converging with the literature, service quality is found to be multidimensional in nature. The retail service quality scale derived in the present study can be effectively utilized by the Indian retail managers. In order to build a strong customer base, retail organizations should deliver effectively on different service quality parameters. However, managers of retail stores should be enlightened to the fact that although these quality constructs are multidimensional; the contribution of various dimensions to the higher-order construct differs.

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