

Appraisal Relationship between Service Quality and Customer Satisfaction in Organized Retailing at Bangalore City, India

Kumar R^{1*} Barani G²

1. DoMS, Adhiyamaan College of Engineering (Autonomous), Hosur, Tamilnadu, India

2. School of Management Studies, Anna University of Technology Coimbatore, Coimbatore, Tamilnadu, India

*E-mail of the corresponding author: krkquality@gmail.com

Abstract

The studies examine the dimensions and their levels of service quality that have significant effect on customer satisfaction in organized retailing. The results illustrated that the dimensions of service quality such as tangible, reliability, responsiveness, competence, credibility, accessibility, and customer knowledge were positively correlated to customer satisfaction in organized retailing. However, by using Statistic software SPSS 17.0 Version only four factors, namely, reliability, customer knowledge, credibility and tangible have significant effect on customer satisfaction that indicated to improve customer satisfaction. Therefore, the management of organized retailing is supposed to focus on reliability, customer knowledge, credibility and tangible to ahead of its competitors. Ultimately customers would remain loyal to an organization and this brings continued profitability and success in business in future.

Keyword: Service quality, Customer satisfaction, Organized Retailing, Bangalore city

1. Introduction

Customer satisfaction has received considerable attention in the marketing literature and practice in recent years. It affects several desirable outcomes like customer loyalty, worth-of-mouth promotion, and purchases. As such, increasing attention is given to customer satisfaction as a corporate goal, in addition to traditional financial measures of success. The concept of customer satisfaction has relevance to both single, discrete encounters and to relationships. Often, in retail firms, the contact employee is the primary contact point for the customer before, during, and after the purchase. By having close contact to the customer, employees strongly influence the customer's experience and create encounter and relationship satisfaction, concepts which appear to be quite distinct from the customer's point of view. Of all services marketing topics, service quality has gained much research prominence in recent years (Schneider and White, 2004). 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 to increase value for the consumer; as a means of positioning in a competitive environment (Mehta, Lalwani and Han, 2000) and to ensure consumer satisfaction (Sivadas and Baker-Prewitt, 2000), retention and patronage (Yavas, Bilgin and Shemwell, 1997). With greater choice and increasing awareness, Indian consumers are more demanding of quality service (Angur, Natarajan and Jahera, 1999) and players can no longer afford to neglect customer service issues (Firoz and Maghrabi, 1994, Kassem, 1989). Much of the attention focused on the service quality construct is attributable to the SERVQUAL instrument developed by Parasuraman, Zeithaml & Berry (1988) for measuring service quality. Several studies subsequently employed the SERVQUAL to measure service quality and to assess the validity and reliability of the scale across a wide range of industries and cultural contexts (Carman, 1990; Finn and Lamb, 1991; Gagliano and Hathcote, 1994; Blanchard and Galloway, 1995; Mittal and Lassar, 1996; Zhao, Bai and Hui, 2002; Witkowski & Wolfenbarger, 2002; Wong and Sohal, 2003). Little is known about service quality perceptions in India

(Jain and Gupta, 2004) because research focus has primarily been on developed countries (Herbig and Genestre, 1996). Given the relatively mature markets where the service quality scales have been developed, it seems unlikely that these measures would be applicable to India without adaptation.

2. Theoretical Perspective

2.1 History of the Gaps Model

The gaps model of service quality was first developed by a group of authors, Parasuraman, Zeithaml, Berry, at Texas A&M and North Carolina Universities, in 1985 (Parasuraman, Zeithaml & Berry). Based on exploratory studies of service such as executive interviews and focus groups in four different service businesses the authors proposed a conceptual model of service quality indicating that consumers' perception toward a service quality depends on the four gaps existing in organization – consumer environments. They further developed in-depth measurement scales for service quality in a later year (Parasuraman, Zeithaml, Berry, 1988).

2.2 Theory of the Gaps Model

Perceived service quality can be defined as, according to the model, the difference between consumers' expectation and perceptions which eventually depends on the size and the direction of the four gaps concerning the delivery of service quality on the company's side (Fig. 1; Parasuraman, Zeithaml, Berry, 1985).

Customer Gap = f (Gap 1, Gap 2, Gap 3, Gap 4)

The magnitude and the direction of each gap will affect the service quality. For instance, Gap 3 will be favourable if the delivery of a service exceeds the standards of service required by the organization, and it will be unfavourable when the specifications of the service delivered are not met.

The key points for each gap can be summarized as follows:

Customer gap:	The difference between customer expectations and perceptions – the service quality gap
Gap 1:	The difference between what customers expected and what management perceived about the expectation of customers.
Gap 2:	The difference between management's perceptions of customer expectations and the translation of those perceptions into service quality specifications and designs.
Gap 3:	The difference between specifications or standards of service quality and the actual service delivered to customers.
Gap 4:	The difference between the services delivered to customers and the promise of the firm to customers about its service quality

2.3 Applications of the Gaps Model

First of all the model clearly determines the two different types of gaps in service marketing, namely the customer gap and the provider gaps. The latter is considered as internal gaps within a service firm. This model really views the services as a structured, integrated model which connects external customers to internal services between the different functions in a service organization. Important applications of the model are as follows:

- 1 The gaps model of service quality gives insights and propositions regarding customers' perceptions of service quality.
- 2 Customers always use 10 dimensions to form the expectation and perceptions of service quality (Fig. 2).
- 3 The model helps predict, generate and identify key factors that cause the gap to be unfavourable to the service firm in meeting customer expectations.

3. Review of Literature

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, 1998). Improvement in customer retention by even a few percentage points can increase profits by 25 percent or more (Griffin, 1995). 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, 1995). The cost of gaining a new customer is ten times greater than the cost of keeping a satisfied customer (Gitomer, 1998). In addition, if the service is particularly poor, 91% of retail customers will not return to the store (Gitomer, 1998).

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, 1998; Reck, 1991). The message is obvious - satisfied customers improve business and dissatisfied customers impair business (Anderson & Zemke, 1998; Leland & Bailey, 1995). 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, 1980).

Products might include computers, automobiles, or food at a restaurant. Services, on the other hand, are less materially based. In fact, Bateson (cited in Sureshchander, Rajendran, & Kamalanabhan, 2001) 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, 1980). The consumption of a service involves the interaction between the producer and the consumer. Also, services are produced and consumed simultaneously (Carman & Langeard, 1980).

4. Objective of Study

The objective of this study was to examine whether the dimensions of service quality significantly drive customer satisfaction in organized retailing at Bangalore city.

5. Research Methodology

The seven dimensions of service quality used in the SERVQUAL Model which was developed by Parasuraman et al. (1988) for measurement of service quality were adapted to measure customer satisfaction at organized retailing. The theoretical framework is shown in Figure – 01 above and followed by the relevant hypotheses.

5.1 Hypotheses Progress

Given the research framework above, a number of hypotheses have been developed and to be tested in the analysis section. Past literatures in the services industry suggest that there is a significant positive relationship between tangibles and customer satisfaction. Tangibles are the appearance of physical facilities, equipment, personnel and communication materials used. Therefore, customers in the organized retailing would look for tangible physical evidence such as Physical position, adornment, and operation method.

Thus, the following hypothesis is developed for the purpose of testing,

- H – 1: The tangibles have significant positive influence on customer satisfaction.
- H – 2: Reliability has significant positive impact on customer satisfaction.
- H – 3: Responsiveness has significant positive effect on customer satisfaction
- H – 4: Competence has significant positive link with customer satisfaction
- H – 5: Credibility has significant positive relationship with customer satisfaction
- H – 6: Accessibility has significant positive impact on customer satisfaction
- H – 7: Customer knowledge has significant positive link with customer satisfaction

6. Data Collection and Analysis

Data is collected from the general customers of fifteen organized retailing in Bangalore cities. The customers of these shops are well-known about fashionable products. I have collected data out of 310 people and put here 202 data (Respondent response ratio are 65.16 %) A number of variables have been included in the questionnaires in order to describe the sample characteristics. The respondents consisted of 48% Female and 52% Male. Their average age was between 25 and 30 years. The composition of the sample is representative for the overall population of customers of organized retailing.

6.1 Dependent Variable: Customer satisfaction was measured by the following dimensions: Communication system, Customer loyalty, Employee behavior, Customer service process / sales process, Product availability, Advertisement, after sales service.

6.2 Independent Variables: Service quality was measured by the following dimensions:

- Tangibles: Position of shop, Decoration of shop, Transaction method of shop.
- Credibility: Company name / Brand name, Price of the products, Durability of the products, Comportability of the products, Aesthetic view of products.
- Customer knowledge: Mutual understanding, Product knowledge of employees.
- Reliability: accurate delivery of services the first time and delivery of promised services.

- Competence: able to handle questions and requests accurately, Self confidence of employees.
- Responsiveness: speed in resolving problems, speed in handling complaints.
- Accessibility: availability of public transportation, availability of contact person in a company.

In order to measure the differences between customer expectations and perceived feature performance the response format was a five-point scale ranging from very low to very high. The results of factor analysis showed that the Eigen value is greater than 1.00 and total variance explained is 46%. The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.837. This indicates sufficient inter-correlations while the Bartlett's Test of Sphericity was significant (Chi-square = 366.664, $p < 0.01$). The same criteria were used to identify and interpret the components. Table – 1 above shows the results of the factor-analysis for the dependent variable. The homogeneity of the items was established by computing the internal consistency reliability coefficient (Cronbach's alpha). The Cronbach's coefficient alpha is 0.8062 and this indicates that the measures used are moderately good. The dependent variable had seven items with factor loading for more than 0.60.

The results of factor analysis for the independent variables were summarized in Table: 2. the reliability coefficients of all the seven variables as measured by Cronbach's coefficient alpha were above 0.60, it is observed that the Cronbach's Alpha for all variables is acceptable as they are more than 0.6. Thus, the overall internal consistency reliability of the measure used in this study can be considered good. In selecting the items for each scale, two criteria were used. First an item should have a loading of 0.60 or more on a single factor in the factor analysis. Second, in an attempt to enhance the scale's reliability, items with less than 0.60 item-to-total correlation were deleted from the scales.

The results in Table: 3 show that Reliability alone has 21% effect on customer satisfaction. The combination of Reliability and customer knowledge together contribute to 30% effect on customer satisfaction. When reliability, customer knowledge and credibility put together, the effect on customer satisfaction increased to 36%. With the addition of the fourth variable "tangible", the total effect on customer satisfaction rose to 40%. The result for R Square for reliability, customer knowledge, credibility and tangible suggest that there is strong effect of these independent variables on customer satisfaction.

The analyses on the impact of customer satisfaction are done with reference to model four in Table – 4 above. Model four shows that competence has significant effect on customer satisfaction at $p < 0.01$. It is concluded that out of the seven independent variables, only four variables (reliability, customer knowledge, credibility, and tangibles) have significant effect on customer satisfaction. The results also showed that the other three independent variables: competence ($p=0.092$), responsiveness ($p=0.133$), accessibility ($p=0.308$) are not significantly associated with customer satisfaction.

7. Conclusion and Limitations

This research was designed to test the hypotheses that the seven generic dimensions of service quality in general customers of fifteen organized retailing in Bangalore cities have significant effect on customer satisfaction. The findings of the study showed that tangibles, reliability, responsiveness, competence, credibility, accessibility and customer knowledge are positively related to customer satisfaction. However, only four variables have significant effect on customer satisfaction. The study has shed some light on the importance of focusing efforts on improving service quality in areas of reliability, customer knowledge, credibility, and tangibles in order to continually increase the level of customer satisfaction. Continued improvement in customer satisfaction would mean that an organization of organized retailing would be able to continually stay ahead of its competitors. Customers would remain loyal to an organization and this brings continued profitability and business success.

The present study has limitation the nature of sampling unit under study cannot be generalized to a larger population as only fifteen organized retailing were examined. In view of the limitations, if the studies hold on many organized retailing after that the findings would be more accurate.

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First Author: He has completed MBA, M.Phil, and Pursuing Ph.D from Anna University of Technology Coimabtoe. MBA his completed from University of Madras in the year of 2002 and M.Phil from MK University, Madurai. Currently he has working as an Assistant Professor in MBA at Adhiyamaan College of Engineering (Autonomous) Tamilnadu, India. And four research articles under the review in various International journals.

Second Author: She has completed MBA, M.Phil, Ph.D Bharathiyar University and currently working as a Professor, School of Management studies, Anna University of Technology Coimabtoe, Tamilnadu. She has published quite a few research papers in National and International Journals. In additions She has Director of Women Development Centre , Anna University of Technology , Coimbatore . The aim of this centre is to tune the women community in the society in positive aspects. The centre works hard to bring out the hidden talents among the women.

Notes

Fig. 1: The Integrated Gaps Model of Service Quality (Parasuraman, Zeithaml, Berry 1985)

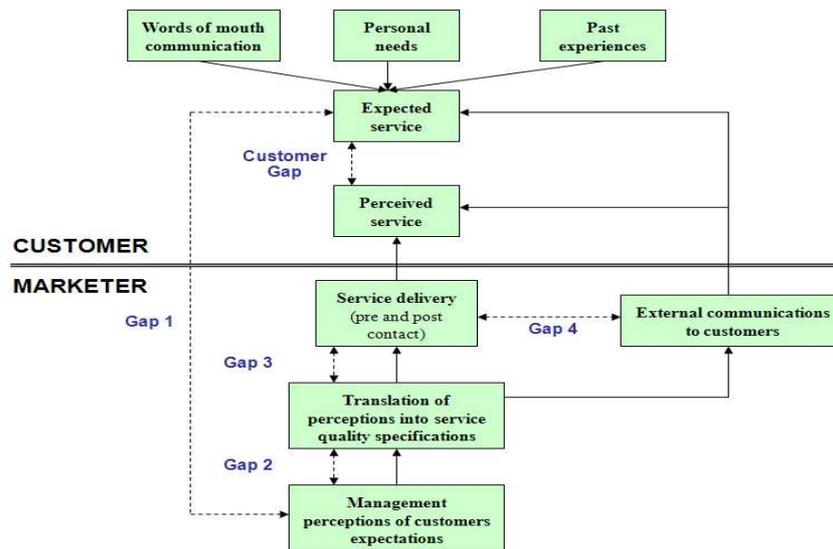


Figure 2: The 10 determinants of service quality (Parasuraman, Zeithaml, Berry, 1985)

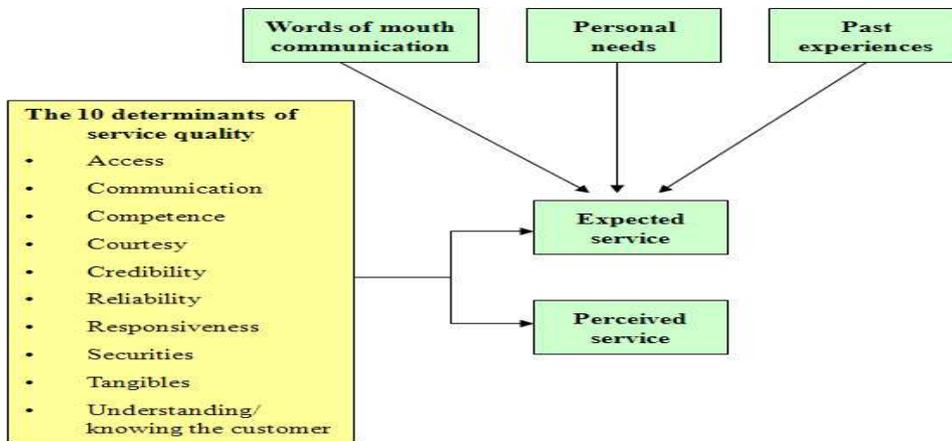


Table: 1 Factor Analysis and Scale Reliabilities – Dependent Variable

Sl.No	Variables	Factor Loading
1.	Communication system	0.719
2.	Customer loyalty	0.627
3.	Employee behavior	0.709
4.	Customer service process / Sales process	0.729
5.	Product availability	0.681
6.	Advertisement	0.628
7.	After sale service	0.675

(Extraction method: Principle Component Analysis)

Table: 2 Factor Analysis And Scale Reliabilities – Independent Variables

SQ variables	Service Quality Sub - dimensions	Factor loading	Alpha
Tangible	Shop position	0.793	0.733
	Adornment	0.812	
	operation method	0.818	
	Brand Value	0.693	
	Product price	0.718	
Credibility	Tardiness	0.843	0.811
	Comparability	0.808	
	Aesthetic view	0.717	
Customer knowledge	Reciprocated	0.910	0.798
	Employees Knowledge in artifact	0.910	
Reliability	Quickly delivery	0.863	0.657
	Delivery of promised service	0.863	
Competence	Self confidence of employee	0.868	0.672
	Right answer	0.868	
Responsiveness	Handling complaints	0.878	0.693
	Speed of resolving problems	0.878	
Accessibility	Availability of public transportation	0.852	0.614
	Easily collect information	0.852	

Table: 3 Effects on Customer Satisfaction (Multiple Regression Analysis)

Model	R	R	Adjusted	R Std.	Error	
1	0.464	0.215	0.212	0.88795	-	Predictors: Reliability, Customer Knowledge
2	0.565	0.319	0.312	0.82936	-	Predictors: Reliability
3	0.607	0.368	0.359	0.80077	-	Customer knowledge, Predictors : Credibility
4	0.637	0.406	0.394	0.77861	-	Predictors: Reliability, Credibility, Customer knowledge, Tangibles

Table: 4- Coefficients of Independent Variables and Dependent Variables

Model	Unstandardized Coefficients		Standardized Coefficients	t test	Sig. Level
	Beta	Standard Error	Beta		
Reliability	3.161E – 16 0.464	0.062 0.063	0.464	0.000 7.411	1.000 0.000
Reliability Customer knowledge	3.675E – 16 0.326 0.350	0.058 0.064 0.064	0.326 0.350	0.000 5.122 5.501	1.000 0.000 0.000
Reliability Customer knowledge Credibility	3.462E – 16 0.251 0.288 0.250	0.056 0.064 0.063 0.064	0.251 0.288 0.250	0.000 3.903 4.536 3.932	1.000 0.000 0.000 0.000
Reliability Customer knowledge Credibility Tangibles	3.638E – 16 0.219 0.226 0.179 0.232	0.055 0.063 0.064 0.065 0.066	0.219 0.226 0.179 0.232	0.000 3.459 3.524 2.756 3.526	1.000 0.001 0.001 0.006 0.001

Dependent Variable: Customer Satisfaction

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