



## A STUDY ON THE IMPACT OF RETAIL SERVICE QUALITY ON CONSUMER BEHAVIOUR

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### **Abstract**

*Consumer Behavior is the one of the significant areas to be focused in today's modern business where there is a need to study the consumption habits. Due to the change in the way the consumer responds to the retail marketing activities there is a challenge for marketers to meet their new expectations. The result shows that most of the respondents belong to female category. The customers of Cuppa mostly belong to the age group of 20-30yrs. The appearance of the employee is the most important factor among the tangible factors followed by the visual appearance of the outlet. The problem solving tendency of the employees is the most important factor. The café takes care of customer service by operating at convenient hours. The services at the café exceed the customers' expectation. Among the SERVQUAL dimensions the employee responsiveness contributes maximum to the overall satisfaction of the customer along with quality assurance.*

**Keywords: Retail Service Quality, Consumer Behavior, Food Products.**

### **INTRODUCTION**

The long term success of organizations depends on many factors. The service sector organizations need to strive through service quality. These organizations try to satisfy customers by providing best quality services. Quality is considered to be main determinant of customers' satisfaction in both manufacturing and service quality. As this research is restricted to service sector and further to retail industry, only those variables are taken that proved to be dimensions of service quality. The five dimensions identified as part of the construct service quality are; tangibles, empathy, reliability, responsiveness, and assurance found satisfied customers of retail sector have high extent of usage and intentions to repurchase in future. Those firms expecting to create and sustain advantages over competitors in this market should be seeking to deliver a superior and service quality.

### **NEED FOR THE STUDY**

Any company would like to know how to satisfy its customers to the maximum so as to turn them into loyal customers. The need for the study is to know the impact of the service quality dimensions on customer satisfaction from the Cuppa customers' point of view and which service quality has a major impact on their satisfaction.

### **OBJECTIVE OF THE STUDY**

The objective of this study is to assess the influence of service quality on customer satisfaction. In accordance with this objective, the empirical survey encompasses the following objectives:

- To find out the relationship between the SERVQUAL dimensions with the overall customer satisfaction.
- To find out if the demographic variables influence customer satisfaction.
- To find out which SERVQUAL dimension influences the customer satisfaction to the maximum.

### **SCOPE OF THE STUDY**

This study focuses on the effect of customer service on customer satisfaction. The respondents in respect of this study are the customers and individuals that patronize at different Cuppa outlets.

### **LIMITATIONS OF THE STUDY**

- 1 This study is restricted to the customers of Cuppa cafeteria.
- 2 Some of the customers were reluctant to fill the questionnaires.

### **RESEARCH METHODOLOGY**

Descriptive research design was adopted for this study. Convenient sampling is used and the Sample size used is 191. The sample unit is customers of Cuppa outlets in Bangalore. The statistical tools used are ANOVA test, chi-square test, regression & correlation.



## LITERATURE REVIEW

### Service Quality

**Ravichandran (2010) and Vu Thi My Chinh (2008)** examines the influence of perceived service quality on customer satisfaction. They conclude that increase in service quality of the banks can satisfy and develop customer satisfaction, which ultimately retains valued customers. They affirm that the service quality level in the proposed study on private banks was at adequate level and the regression on overall service quality lists out the various service quality items which has a spread in all the dimensions of the service quality model.

**Justin Beneke (2012)** his research considers which aspects of retail service quality impact upon customer satisfaction and, ultimately, pays dividends in terms of generating store loyalty amongst urban shoppers in the middle to upper market segments. The results from the analysis concluded that two constructs, namely Physical Aspects and Personal Interaction, had a direct relationship with Customer Satisfaction.

**Lau Pei Mey (2006)** his research assessed the expectations and perceptions of service quality in Malaysia's hotels by applying a modified version of the SERVQUAL model. Comparisons among Malaysian hotel guests, hotel guests from other Asian countries, and non-Asian were undertaken. The findings indicated, as a whole, that the hotel guests' perceptions of service quality provided by the hotel industry were lower than their expectations. **John E. Swan (1998)** Contemporary research on service quality and satisfaction has limitations. Popular paradigms assume consumers' determination of service quality and satisfaction is based solely on a set of attributes. Symbolic interaction and ethnographic methods expand the theoretical basis of service quality/satisfaction research beyond an individually centered psychological view to consider social influences and processes, thereby providing a deeper understanding of how consumers experience quality and satisfaction.

**Udaya (2011)** this paper studies the impact of service quality on apparel retail customer satisfaction and also identifies the critical factors of service quality from customer's perspective. The sample consists of 250 respondents from the Metropolitan City Hyderabad. The study identifies the critical factors of Apparel Retail Service Quality and evaluates the impact of service quality on Retail Customer Satisfaction.

**Borkar Suneeta (2014)** the study focuses on interdependence of service quality and customer satisfaction and its implications for hospitality industry. Various definitions of satisfaction are discussed and relationship of the quality is investigated. Studies in the subject of service quality have confirmed that service quality has interdependence and direct relationship with customer satisfaction.

### Service Quality dimensions

**Geetika (2010)** This study identifies components of service quality of Indian Railways at railway platforms. The study is exploratory in nature and uses factor analysis to identify the most important factors of customer satisfaction with service quality. The research methodology is empirical, and a survey of passengers (customers) was conducted. The findings reveal that five factors are considered important for determining satisfaction with railway platforms, the most important of which are refreshments and behavioral factors.

**Vibha (2011)** this paper investigates the various dimensions of service quality and how these dimensions determine customer satisfaction in Indian banking sector. Using Service performance model, the survey was undertaken in Delhi with a sample size of 318 respondents. Reliability and service interaction were found to be significant variables to customer satisfaction in India.

**G.S. Sureshchandar (2002)** The present study adopts a different approach and views customer satisfaction as a multi dimensional construct just as service quality, but argues that customer satisfaction should be operationalized along the same factors (and the corresponding items) on which service quality is operationalized. Based on this approach, the link between service quality and customer satisfaction has been investigated. The results have indicated that the two constructs are indeed independent but are closely related, implying that an increase in one is likely to lead to an increase in another.

### Customer Satisfaction

**Krishna (2010)** 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.

**Panchapakesan (2010)** Patients and attendants treat the interpersonal aspect of care as the most important one, as they cannot fully evaluate the technical quality of healthcare services. The study also revealed that the hospital service providers have to understand the needs of both patients and attendants in order to gather a holistic view of their services.

**Hamad Saleem (2014)** this study is to look at the association between services quality of Pakistani hotel and to scrutinize cause on customer satisfaction, brand image and customer loyalty. The primary data was collected from 5 and 8 star hotels of Pakistan. The findings suggested that high quality of services boost up the customer satisfaction and then afterward this satisfaction will strengthen the customer loyalty.

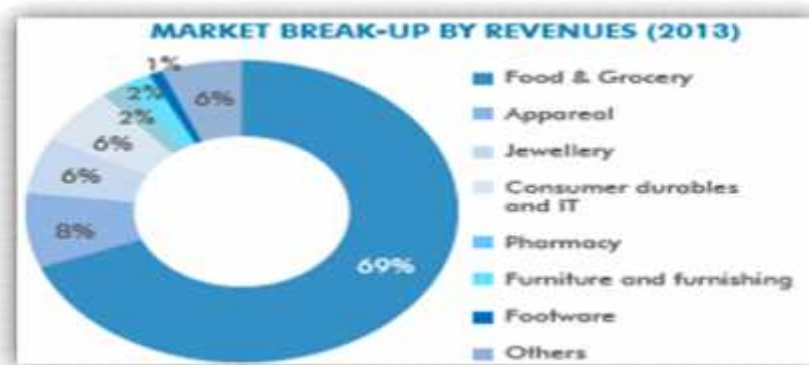
**Ram Mohan (2013)** This study aims to identify the main factors that lead to customer satisfaction in food retail supermarkets. The main factors are extracted from the independent variables using factor analysis. Then regression analysis is done taking the extracted factors as independent variables and customer satisfaction as dependent variable. Likert scale and multiple choice questions are used in the questionnaire. There are 17 independent variables which by factor analysis are reduced to 5 main factors which are found to significantly impact customer satisfaction in food retail supermarkets.

### RETAILING INDUSTRY

The Indian retail industry has presently emerged as one of the most dynamic and fast paced industries as several players have started to enter the market. It accounts for over 10 per cent of the country's gross domestic product (GDP) and around eight per cent of the employment in India. The country is today the fifth largest global destination in the world for retail. Several corporate have planned to exploit the opportunities in the Indian retail space, such as Reliance Industries Ltd (RIL), which has lined up capital expenditure of Rs 1.8 trillion (US\$ 28.94 billion) for the next three years for its petrochemicals, telecom and retail ventures. With the growth in the retail industry, the corresponding demand for real estate is also being created. Further, with the online medium of retail gaining more and more acceptance, there is a tremendous growth opportunity for retail companies, both domestic and international.

### Market Size

India's retail market is expected to double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015 driven by income growth, urbanisation and attitudinal shifts, highlighted the Boston Consulting Group and Retailers Association of India's report titled, 'Retail 2020: Retrospect, Reinvent, Rewrite'. While the overall retail market will grow at 12 per cent per annum, modern trade will grow twice as fast at 20 per cent per annum, and traditional trade at 10 per cent, according to a report titled Retail 2020: Retrospect, Reinvent, Rewrite by Boston Consulting Group and Retailers Association of India. The retail spending in the top seven Indian cities of India currently amounts to Rs 3.58 trillion (US\$ 57.56 billion), with organised retail penetration at 19 per cent in 2014. It is expected that the online retail will be at par with the physical stores in five years India is expected to become the world's fastest growing e-commerce market on the back of robust investment activity in the sector and the rapid increase in internet users. It is expected that India's e-commerce market will grow from US\$ 2.9 billion in 2013 to over US\$ 100 billion by 2020. E-tailers are betting on more Indians switching to shopping online, with a projection of 200 million new consumers by 2017, according to a report released last year by Accel India.





India has occupied a remarkable position in global retail rankings on the back of high market potential, low economic risk, and moderate political risk. In market potential, India ranks fifth after the United States, China, Brazil and Canada. Retail market in India is expected to reach US\$ 1.3 trillion by 2020 from US\$ 490 billion in 2013. Of the overall retail market in India, unorganized players controlled 92 per cent market share during 2013. Organized retail is expected to account for 24 per cent by 2020. Food and grocery accounted for nearly 69 per cent of total revenues in the retail sector, followed by apparel (8 per cent) in 2013. Rapid emergence of mega malls and hypermarkets are augmenting the growth of organized retail in the country. The Government of India has approved 51 per cent foreign direct investment (FDI) in multi-brand retail and increased foreign direct investment (FDI) limit to 100 per cent in single-brand retail and cash and carry (wholesale) trading and exports. It also plans to introduce Goods and Service Tax (GST) as a single unified tax system from the next fiscal year. India's strong growth fundamentals, along with increased urbanization and consumerism, offer immense scope for retail expansion for foreign players. Rapid emergence of organized retail outlets, such as mega malls and hypermarkets, are augmenting the growth of organized retail in the country. Retailers have made constant improvements in supply chain and logistics for competitive advantage and meeting consumer demands. E-commerce is expected to be the next major area for retail growth in India. The industry is projected to touch US\$ 200 billion by 2020.

### CONSUMER FOOD PREFERENCES

An estimated 20-30 percent of the Indian population is strictly vegetarian in accordance with the tenets of Hinduism. Those Hindus who eat meat tend to do so sparingly and beef consumption is taboo among Hindus, Jains and Sikhs who comprise over 80 percent of India's population. Furthermore, non-vegetarian food is not consumed during special days or religious observances. India's large Muslim population (estimated at 160 million) does not consume pork and eats Halal animal products that are sourced from livestock that were slaughtered according to the tenets of Islam.

Indians tend to take pride in the many regional and varied foods that comprise Indian cuisine. In general, Indians have a strong preference for fresh products, traditional spices and ingredients, which has generally slowed the penetration of American and other foreign foods. However, the acceptance of packaged, convenience and ready-to-eat food products is increasing, especially among younger consumers and the urban middle class. Many Indians are quite willing to try new foods while eating out, but often return to traditional fare at home. Italian, Thai and Mexican foods are reportedly the fastest growing new cuisines in India and consumers are slowly diversifying their consumption patterns. Typical imported food items that can be spotted in retail stores in major cities include dry fruits and nuts, cakes and cake mixes, pastries, chocolates and chocolate syrups, seasonings, biscuits, canned fruit juices, canned soups, pastas, noodles, popcorn, potato chips, canned fish and vegetables, ketchup, breakfast cereals, and fresh fruits such as apples, pears, grapes and kiwis.

**Supply:** players are now moving to tier-2 and tier-3 cities to increase penetration and explore untapped markets as tier-1 cities have been explored enough and have reached a saturation level.

**Demand:** healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors driving the organized retail sector in India.

### FUTURE PROSPECTS OF THE INDUSTRY

Retail industry has been on a growth trajectory over the past few years. The industry is expected to be worth US\$ 1.3 bn by 2020. Of this, organized retail is expected to grow at a rate of 25% p.a. A significant new trend emerging in retail sector is the increase in sales during discount seasons. It has been observed over the past few months, that sales numbers in discount seasons are significantly higher than at other times. This is prompting retailers to start discounts earlier and have longer than usual sale season. Also, concepts such as online retailing and direct selling are becoming increasingly popular in India thereby boosting growth of retail sector. Another crucial structural change is expected to come in the form of implementation of FDI in multi-brand retail. The industry players are strongly in favor of entry of foreign retailers into the country. This will help them in funding their operations and expansion plans. The expertise brought in by the foreign retailers will also improve the way the Indian retailers operate. It is expected to bring in more efficiency in the supply chain functions of retailers. However, fear of loss of business for kiranawalas is still a cause of concern and is posing hurdles in FDI implementation across country. Ironically, it has been more than a year since the government opened the door for FDI in multi-brand retail. But no international retailer has shown interest in coming to India yet. Hurdles such as requirement of clearance from individual states, mandate of 30% local outsourcing of materials from micro and small enterprises are keeping the investors away from India. Retail is mainly a volume game, (especially value retailing). Going forward, with the competition intensifying and the costs scaling up, the players who are able to cater to the needs of the consumers and grow volumes by ensuring footfalls will have a competitive advantage. At the same time competition, high real estate cost, scarcity of skilled



manpower and lack of infrastructure are some of the hurdles yet to be tackled fully by retailers. Rural retailing is another area of prime focus for many retailers. Rural India accounts for 2/5th of the total consumption in India. Thus, the industry players do not want to be left out and are devising strategies especially for the rural consumer. However, players should be ready to face some imminent challenges in rural area. For instance, competition from local mom and pop stores as they sell on credit, logistics hurdles due to bad infrastructure in rural areas, higher inventory expenses and different buying preferences amongst rural population.

**Service quality** is determined by the differences between customers' expectations of service provider's performance and their evaluation of the services they received.

SERVQUAL is a multi-item scale developed to assess customer perceptions of service quality in service and retail businesses (Parasuraman et. al., 1988). There is an impact of the basic dimensions of the (SERVQUAL model) on the level of customer satisfaction at different levels. As service industry is growing very quickly, they have to give careful attention regarding discussed service quality dimensions in order to minimize the expectation-perception gap as well as to ensure better and quality service. This model can be guideline for the top level managers to understand the different aspects of service quality dimensions so that they can be able to choose the right dimensions and instruments to offer competitive service for the sake of holding sustainable growth and profitability of the organizations. In order to fulfill the objectives, a survey was conducted to collect information to relevant to the study. For the purpose of conducting the survey, a questionnaire was prepared and handed out to employees creating a sample size of 191 respondents. On the basis of the information provided by the respondents the following presented tables, charts and graph were prepared and the analysis was arrived at.

#### **FINDINGS**

Most of the respondents belong to female category. They prefer coming to Cuppa more than males. The customers of Cuppa mostly belong to the age group of 20-30yrs. The appearance of the employee is the most important factor among the tangible factors following by the visual appearance of the service materials. The problem solving tendency of the employees is the most important among their liability factors. The prompt services given by the employees to the customers show the good responsiveness at the café. The employees are never too busy to respond to customer's request. The employees at the café are consistently courteous to the customers and their requests. The customers feel safe & secure in their credit card or debit card transactions. The café empathize the customers by operating at convenient hours. The services at the café are better than the customers' expectation. All SERVQUAL dimensions contribute almost equally to the customer satisfaction level. Among the SERVQUAL dimensions the responsiveness dimension contributes maximum to the overall satisfaction of the customer with assurance dimension following it.

#### **CONCLUSION**

This research paper has provided results regarding the impact of the retail service quality on the customers' satisfaction of CUPPA. The customers are highly satisfied with the cafes' responsiveness to them. This acts as a major factor in the satisfaction of the customers.

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