

An analytical study of Service Quality of Organised Retail Sectors in Tier III cities of Karnataka

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ABSTRACT

Retailers foray into tier-II and III cities, improvement in business models and operations, advancement from unorganized to organized trade are likely to play a vital role in driving this growth. Furthermore, the liberalization of FDI policy is expected to propel the foray of global retailers, which will further fuel the growth of organized retail in India. When it comes to customer satisfaction, service quality plays an important role. Customers today are spending more time in analysing the products and services of retailers rather than making decisions just based on the marketing communication. Rising number of tier II and tier III cities would increase supermarket space in the country. About 40% of the revenue for organised retailers comes from non-metro cities. Therefore, this study attempts to find out the strategies followed by organised retailers in tier III cities, factors that contribute to the growth of organised retailing in these cities and the major challenges faced by the organised retailer in tier III cities.

Keywords: Organised Retailing, Service quality, Tier III cities, strategies.

1. INTRODUCTION

The Indian retail market has emerged as one of the most dynamic and fast-paced industries and one of the top five retail markets in the world by economic value. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. The overall retail industry of the country is valued at USD 672 billion and is expected to rise to US\$ 1.3 trillion by end of 2018, at a Compound Annual Growth Rate (CAGR) of 10 per cent. The country is among the highest in the world in terms of per capita retail store availability. India's organised retail penetration is much lower compared with other countries, such as the United States which has organised retail sector penetration of 85%. At present, organised retail market is valued at about USD 60 billion, which is roughly 9% of the overall industry; remaining 91% of the market is held by unorganized retail.

2. REVIEW OF LITERATURE

According to Zeithaml and Bitner 'Service quality is a focused evaluation that reflects the customer's perception of specific dimensions of service namely reliability, responsiveness, assurance, empathy, tangibles'. It is a challenging a task for the retailers to provide high service quality and remain economically competitive at the same time. The intangible, inseparable and perishable features of service make it even more difficult for both retailers as well as customers to define and measure. Many studies have proposed that improved service quality would lead to better profitability and competitiveness for the retailers. The 'GAP' model which was built in the year 1985 by Parasuraman et.al which facilitates to identify the gaps among the perceived service qualities that customers receive and what they expect. If the experience does not match the expectation, then the gap is formed.

India's retail development is not just taking place in major cities and metros, but also in Tier II and Tier-III cities. Healthy economic growth, changing demographic profile (more than 31% of the country is below 14 years), increasing disposable incomes, urbanization, changing consumer tastes and preferences are the other factors driving growth in the organized retail market in India. The consumption pattern in tier III cities is undergoing a transformation. Customers in these cities are moving beyond necessities and buying products that were earlier bought only by urban customers. High real estate costs and decreasing profitability is making the retailers look at tier III cities, as these cities offer a golden opportunity to the retailers with low real estate cost and a large volume of potential customers. The changing patterns of behaviour, increased income, the influence of western culture and an increased number of working women in the tier III cities are the positive factors for the organised retailers to expand their presence in these cities.

Samridhi & Kaushik in their study "Determining the Relative Importance Of Critical Factors In Delivering Retail Service Quality": A Lesson For Indian Retailers" found that the customers are attracted towards those organized retailers who are fulfilling their commitment and executing the work like alterations and repairs within the promised time. The study revealed that gender differences exist while evaluating the service quality and respondents with different marital status perceive the service quality dimensions differently.

Dipin Mathur et al. in their study titled "Assessment of Service Quality in Organized Retail Stores of Udaipur" pointed out that all the 5 features namely physical aspects, reliability, one to one interaction, problem-solving approach & policy are vital in determining retail service quality. Each and every fundamental aspect of service quality be a factor in encouraging repeated store patronage.

Arvind Tripathy and B. B. Mishra in their study illuminate that retailers need to improve their service quality dimensions as all the five dimensions that were considered for the study covering four retail outlets at Bhubaneswar city has a negative gap between customer expectation and perception. Further study also

examines that the stores fail miserably in coping up with the expectations pertaining to service quality during public holidays and festivals during which the stores receive maximum footfall.

3. OBJECTIVES OF THE STUDY

1. To study the Service Quality dimensions among the **Organised Retail Sectors in Tier III cities**
2. To study the factors influencing the purchase decisions among the customers of organised retail stores.

4. SCOPE OF THE STUDY

The study is confined to Tier III cities of Davangere, Hassan, Mandya, Shivamogha and Tumkur districts of Karnataka. The data is gathered from leading food & grocery organised retailers in these cities through a structured questionnaire.

5. METHODOLOGY

The study uses Exploratory Research design. The sampling frame includes the customers of organised retail stores in the selected cities. The sampling unit includes customers of different age groups, gender, Occupation, Income levels and educational backgrounds. Convenience sampling method will be used to choose the samples out of the population. The sample size of the study is 219 retail customers in the tier III cities. The data for the research is collected through personal interview with the customers of the leading food & grocery retail outlets in the selected cities by using the structured questionnaire. The secondary data has been collected from books, reports and journal.

6. DATA ANALYSIS AND INTERPRETATION

Objective:1. To study the Service Quality dimensions among the Organised Retail Sectors in Tier III cities.

Hypothesis:

H (0): There is no significant difference among the Service Quality dimensions of Organised Retail Sectors in Tier III cities.

H (1): There is a significant difference among the Service Quality dimensions of Organised Retail Sectors in Tier III cities.

The service quality dimensions like Tangibility, Reliability, Responsiveness, Assurance and Empathy are considered for the study.

Tangibility dimension include the variables like

- The baggage room for keeping belongings
- proper lighting and ventilation

- modern equipment's and fixtures at stores
- attractive store interior
- Appearance of personnel
- The retailers have washroom facility air condition facility
- CCTV Surveillance
- spacious & secured vehicle parking at the store

Reliability dimension includes the variables like

- The retailers keep up their promises
- Organized retail stores show honesty in their endeavours
- The retailers have all the products in stock
- The transactions at the retail store are completed in time
- The retailers perform error-free transactions

Responsiveness dimension includes the variables like

- friendliness of employees
- The employees perform their job promptly
- the favourable attitude of employees
- a quick & positive response to queries
- employee's assistance while buying
- level of comfort when interacting with the employees

Assurance dimensions include variables like

- The employees are well-informed about products and services
- The products at retail stores are of good quality
- The employees have good understandability of needs of customers
- Acceptance of payments by debit/credit card
- return and exchange policy

Empathy Dimensions includes like

- The employees show personal attention to the needs of customers
- The stores are located in convenient locations
- The retailers are quick and concerned in solving problems
- free home delivery
- The after sales services of retail stores is satisfactory

The above dimensions are analysed by using Mean and SD among the customers across the five tier III cities in Karnataka. One way ANOVA technique is applied to verify the hypothesis of significant difference among the service quality dimensions. The responses are measured based on the 5 points Likert scale, where

the measures are rated as strongly agree (5) to strongly disagree (1). Higher the mean value indicates the higher measure of the corresponding service quality dimension.

Croan Bach Alpha reliability

Reliability analysis is normally considered as the degree of consistency of the Scale used in the study. In order to measure the reliability of the questionnaire, the index of Cronbach Alpha was calculated. Cronbach Alpha determines the reliability based on internal consistency. Typically items having a coefficient of minimum 0.50 are considered adequate for the study. The result of the reliability analysis of the variables of service quality used in the study is presented below.

Service quality Dimensions	Tangibility n=8	Reliability n=5	Responsiveness n=6	Assurance n=6	Empathy n=5
Croan bach Alpha reliability	0.708	0.573	0.600	0.661	0.628

Table 1	Tangibility n=8		Reliability n=5		Responsiveness n=6		Assurance n=6		Empathy n=5		Service quality	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Davanagere	3.53	0.83	3.33	0.87	3.3	0.86	3.45	0.94	3.41	0.86	3.40	0.872
Hassan	3.58	0.77	3.31	0.82	3.41	0.73	3.51	0.87	3.29	0.84	3.42	0.806
Mandya	3.32	0.98	3.24	1.02	3.17	1.06	3.38	0.96	3.23	1.02	3.268	1.008
Shimoga	3.33	1.08	3.20	1.13	3.20	1.07	3.27	1.00	3.18	1.18	3.236	1.092
Tumkur	3.61	0.67	3.44	0.75	3.32	0.82	3.49	0.64	3.14	0.82	3.4	0.74
Aggregate Mean and SD	3.47	0.87	3.30	0.92	3.28	0.91	3.42	0.88	3.25	0.94		

One way ANOVA-Tangibility

Table 1.1 Sources of Variations	SS	DF	MS	F	p
Between:	16.933	4	4.233	5.487	0.000
Within:	840.935	1,090	0.772		
Total:	857.868	1,094			
H(0):Rejected, H(1):Accepted					

One way ANOVA-Reliability

Table 1.2 Sources of Variations	SS	DF	MS	F	p
Between:	7.472	4	1.868	2.168	0.017
Within:	939.384	1,090	0.862		
Total:	946.856	1,094			
H(0): Rejected		H(1):Accepted			

One way ANOVA-Responsiveness

Table 1.2 Sources of Variations	SS	df	MS	F	p
Between:	8.191	4	2.048	2.43	0.046
Within:	918.521	1,090	0.843		
Total:	926.712	1,094			
H(0):Rejected,		H(1):Accepted			

One way ANOVA-Assurance

Table 1.3 Sources of Variations	SS	df	MS	F	p
Between:	8.322	4	2.081	2.619	0.034
Within:	865.831	1,090	0.794		
Total:	874.153	1,094			
H(0):Rejected,		H(1):Accepted			

One way ANOVA-Empathy

Table 1.4 Sources of Variations	SS	DF	MS	F	P
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Between:	9.767	4	2.442	2.683	0.03
Within:	991.987	1,090	0.91		
Total:	1,001.76	1,094			
H(0):Rejected, H(1):Accepted					

One way ANOVA-Service Quality (Aggregate Mean and SD-Cities)

Table 1.5 Sources of Variations	SS	df	MS	F	p
Between:	7.998	4	1.999	2.445	0.045
Within:	891.489	1,090	0.818		
Total:	899.487	1,094			
H(0):Rejected, H(1):Accepted					

One way ANOVA-Service Quality (Aggregate Mean and SD-Service quality Dimensions)

Table 1.6 Sources of Variations	SS	df	MS	F	p
Between:	8.845	4	2.211	2.654	0.032
Within:	1,245.678	1,495	0.833		
Total:	1,254.524	1,499			
H(0):Rejected, H(1):Accepted					

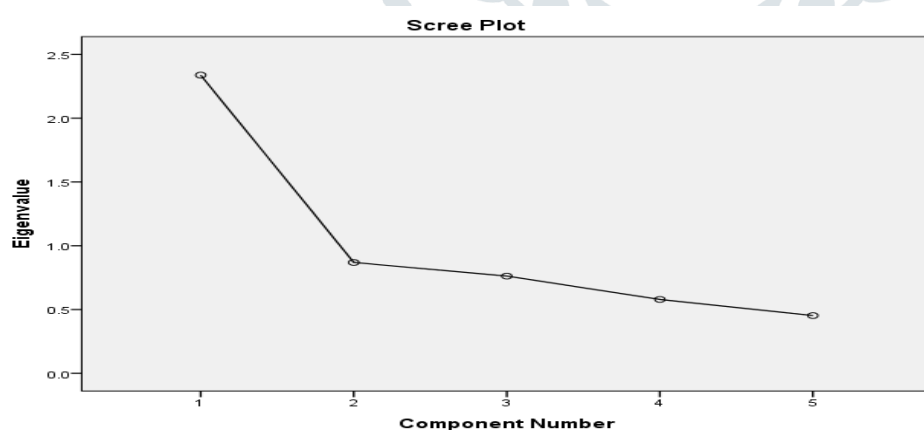
The above table 1 and its subsequent tables 1.1, 1.2, 1.3, 1.4 and 1.5 represent Service Quality dimensions among the Organised Retail Stores in Tier III cities and the corresponding ANOVA tables for the verification of the stated Hypothesis. Among the five cities Davanagere, Hassan, Mandya Shimoga and Tumkur of Karnataka state, the overall service quality is found to be moderately acceptable in the cities of Hassan, Davanagere and Tumkur. With regard to the individual service quality dimensions, Tangibility and assurance are comparatively good than the rest of the service quality dimensions. Empathy, Reliability and responsiveness are in the neutral state as perceived by the consumers.

However with respect to the individual cities and the service quality dimensions the Tangibility and Assurance are moderately good in Tumkur city, followed by Davanagere and Hassan.

One way ANOVA hypotheses results are in support of the alternative hypothesis and shows that there is a significant difference among the Service Quality dimensions of Organised Retail Sectors in Tier III cities. The perceptions of the consumers regarding the city wise as well as with regard to the individual service quality dimensions differ significantly and the opinions reflect upon the moderate – neutral state of Service quality dimensions. Hence it is identified that among the organised retail sectors the service quality is yet to create a considerable impact and favourable opinions in the tier III cities of Karnataka.

Objective 2: To study the factors influencing the purchase decisions among the customers of organised retail stores.

	Factors influencing the purchase decisions	Component 1	
1	Brand	0.753	
2	Quality	0.716	
3	Price	0.663	
4	quantity	0.622	
5	Value-added services	0.66	
6	Total Variance Explained (%)	46.74	
7	Factor Loading	2.34	
8	KMO	Alpha	0.728
		Sig	0.000



The above objective is designed to study the factors influencing the purchase decisions among the customers of organised retail stores. The below listed factors are considered for the study.

- Brand
- Quality
- Price

- Quantity
- Value-added services

Factor analysis results reveal that **Brand, Quality, Price and Value added services** are the factors influencing the purchase decisions among the customers of organised retail stores among the tier III cities in Karnataka. The results are found to be significant at 99% of level of confidence (**KMO- Alpha= 0.728, Significant value = 0.000**)

Conclusion:

The study is specifically focussed on service quality dimensions and the factors influencing the purchase decisions among the customers of organised retail stores of tier III cities in Karnataka.

The one way ANOVA results provide substantial evidence to conclude that the concept of service quality among the organised retail stores of tier III cities in Karnataka is in its neutral stage and yet to create favourable reflections among consumers. However, the purchase decisions are driven by factors like **Brand, Quality, Price and Value added services**.

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