

Impact of Service Quality on Apparel Retail Customer Satisfaction - A Study of Select Metropolitan City Hyderabad

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Received: May 24, 2011 Accepted: June 10, 2011 doi:10.5296/jmr.v3i2.674

Abstract

The Indian Retail Industry is witnessing a rapid transformation and is the fastest growing sector contributing 10 percent of the country's GDP. Indian retail market is estimated to grow from \$427 billion in 2010 and is expected to reach \$637 billion by 2015 (Srivastava 2008). India became the prime destination for the global retailers because of favorable demographics, high disposable income levels, changing life styles and increased customer awareness. Indian apparel retailing is the country's largest opportunity for the organized retailers after food retailing. The fast pace of the Indian retail industry presents many companies with a host of daily challenges. In today's competitive environment and with the growing importance of services, delivering high quality services has become the basic retailing strategy. The present 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 which is one of the fastest growing metropolitan cities in India a structured questionnaire RSQS (Retail Service Quality Scale) was administered for data collection. Secondary data was collected from research databases, reports, journal articles etc. SPSS 17.0 was used for statistical analysis. The results will help the Retail service managers to plan and design their service strategies. The study identifies the critical of factors of Apparel Retail Service Quality and evaluates the impact of service quality on Retail Customer Satisfaction. The results helps the retailers to focus on critical areas of service where to improve, where to modify and where to cut down and

enables them to take effective service strategies.

Keywords: Apparel Retailing, Service Quality, Customer Satisfaction

1. Introduction

The retail environment in India is highly competitive, being the second largest employment provider after agriculture the sector also the second largest untapped market after China. There are some 12 million retail outlets deeply penetrated across the country and contributing to more than ten percent of the country's GDP. The sector is witnessing a radical change as traditional retail markets are replacing with new formats such as departmental stores, hypermarkets, supermarkets reflecting the western style. The malls have begun appearing not only in metros but also in Tier II cities giving the Indian consumer a new shopping experience. The growth of the sector is largely driven by changing life styles, favorable demographics, increasing disposable incomes, usage of plastic money, growth of middle class and an opportunity to tap the rural India. Indian retail market is estimated to grow from \$427 billion in 2010 and expected to reach \$637 billion by 2015 (Srivastava 2008).

Indian apparel retailing is the country's largest opportunity for the organized retailers after food retailing. The clothing market is highly fragmented, with numerous organized and unorganized players operating across a wide variety of formats. Branded apparel accounts for only 20 percent of the total apparel market. Men's clothing currently accounts for about 40 percent of all branded apparel sales as compared to 20 percent of children's wear and 30 percent of women's wear. The structure of apparel retail has changed dramatically in the recent past with the growth of large multi-brand apparel outlets and manufacturer brand-led chains.

1.1 Need for the study

In the present day of retailing, service quality has become the basic tool for retailers to create competitive advantage and to enhance shopping experience. The quality of services significantly affects customer satisfaction, company revenues, cross selling and also repeat purchase behavior (Berry, 1986; Hummel and Savit, 1988; Reichheld and Sasser, 1990). The fast pace of the Indian retail industry presents many companies with a host of daily challenges. In today's competitive environment and with the growing importance of services, delivering high quality services has become the basic retailing strategy. The present 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.

1.2 Literature Review

The key element to any business achievement is delivering superior quality. Parasuraman, Zeithaml and Berry, defined Service Quality as "*A global judgment or attitude, relating to the overall superiority of the service*". The characteristics of services like Intangibility, Perishable, Inseparability and Heterogeneity make measuring service quality indefinable and abstract. Due to this ambiguity measuring the service quality has become the biggest challenge for the service marketers. With this background Gronroos (1984) defined perceived service quality as:

The outcome of an evaluation process, [whereby] the consumer compares his expectations with the service he perceives he has received, i.e. he puts the perceived service against the

expected service. The result of this process will be the perceived quality of service.

Parasuraman et al. (1985, 1988) developed SERVQUAL scale as a generic instrument to measure service quality across a broad range of service categories. They reported that consumers evaluate service quality by comparing expectations with perceptions on meagerly five dimensions like Tangibles, Reliability, Responsiveness, Empathy and Assurance. Cronin and Taylor (1992) questioned investigated the conceptualization and measurement of the service quality and questioned the applicability of SERVEQUAL scale as a generic instrument. Kathryn Bishop Gagliano and Jan Hathcote (1994) explained the importance of employee behavior (sales associates), store environment on customer expectations and experiences. They studied the retail apparel service quality and also examined service as patronized criteria for managerial implications. Finn and Lamb, 1991; Gagliano and Hathcote, 1994 identified that Service Quality in Retailing was different from any other product or service environment. In continuation to this study Dabholkar, Thorpe and Rentz (1996) developed the Retail Service Quality Scale (RSQS) which has a five dimensional structure, (Physical aspects, Reliability, Personal interaction, Problem solving and Policy) they have identified that all these five dimensions were valid in the USA. The RSQS was tested by Mehta, Lalwani and Han (2000) for measuring the service quality perceptions of supermarket consumers in Singapore and found appropriate. Kim and Jin (2001) tested the RSQS across two cultural contexts USA and South Korea and identified, rather than five dimensions four dimensional structure was suitable to measure service quality. Subhashini Kaul, (2005) applied the RSQS in the Indian Retail setting and observed that the scale may be used for assessing the overall services provided by the store and to track the changes in service over a period of time. Raidah ladhari (2008) identified the key conceptual and empirical issues that should be considered in the development of alternative industry-specific measurement scales of service quality. She presented 30 alternative industry specific measurement of service quality other than SERVQUAL. Sanjeev Varshney and Amit Goyal (2006) proposed that Layout and architecture, symbols and color, conventional location, value price, sales effort and store service will effect greatly in Retail store image and personality. Goran Svensson (2006) argued that most of the research has been done on the service receiver's perspective rather than service provider's perspective side. The author felt that that an extended penetration of service encounters, and an extended abstraction of the service quality construct, taken together, provides great potential for future research opportunities in services marketing.

G.Sureshchander et.al (2002) indentified the critical determinants of service quality that have been overlooked in the literature and proposed a comprehensive model and an instrument framework for measuring customer perceived service quality specifically to the banking sector in India. They included the factors like service content, service delivery and social image which were not addressed by SERVEQUAL. The results of the study may not be applicable to all sectors and there is a possibility of cultural bias when applied to countries other than India. He questioned the generic applicability of SERVEQUAL in the Indian Retailing context; this may be a lead to extend the research to different sectors in different countries. Riadh Ladhari (2009) reviewed 20 years (1988-2008) of research on the

SERVQUAL scale for measuring service quality. Studies that have applied the SERVQUAL scale in this 20-year period were examined in a non-exhaustive review of the literature. Despite these criticisms, the paper concluded that SERVQUAL remains a useful instrument for service-quality research. The paper summarizes a selection of 30 applications of SERVQUAL and provides a useful source of information on SERVQUAL and its applications.

1.3 Objectives of the Study

1. To study the Demographics and Purchase Patterns of Apparel Retail Customers
2. To indentify the critical factors of Apparel Retail Service Quality
3. To study the impact of service quality on Apparel Retail Customer Satisfaction.

1.4 Methodology

A structured questionnaire, modified Retail Service Quality Scale (RSQS), (Dabholkar, Thorpe and Rentz 1996) was used to collect the primary data from 250 respondents after their purchase at shopping malls at Hyderabad. The city Hyderabad is one of the fastest growing metropolitan cities in India (annexure I) and where several large formatted Apparel stores are present. The RSQS was modified and 25 items were used to measure service quality. Systematic sampling was administered and every fifth customer coming out of the malls was asked to fill the questionnaire. The secondary data was collected from research journals, reports and databases. SPSS 17.0 was used for data analysis.

2. Results and discussions

Table1. Respondent's Demographic details

S. No	Demographics factors		Hyderabad (percentage)
1	Gender	Male	61
		Female	39
2.	Marital Status	Married	46
		Unmarried	54
3.	Age	Below 19 years	4.4
		19 to 25 years	19.2
		26 to 35 years	40
		36 to 45 years	27.2
		Above 45 years	9.2
4	Education	Illiterate	3.6
		Up to X class	10.8
		Up to XII class	20
		Up to Graduation	30
		Up to Post Graduation	26.4
		Professional	9.2
5	Occupation	Agriculture	6.4
		Employed (Government and Private)	44.4
		Home maker	22
		Student	10.4
		Others	4.4
6	Family monthly Income (₹ Rupees)	Below ₹ 10000	20.8
		₹ 10000 to 15000	12.4
		₹ 15000 to 20000	26
		₹ 20000 to 25000	22.4
		₹ 25000 to 45000	11.2
		₹ Above 45000	7.2
7	No of Family Members	Single	2.8
		Two members	15.6
		3 to 4 members	49
		5 to 6 members	22
		Above 6 members	10.6

Analysis of demographic information revealed that more than half (59.2 percent) of the mall visiting customers were young and aged between 19 years to 35 years and 61 percent of the respondents were males. Around 66 percent of the sample respondents had higher education and 44.4 percent were employed; out of the total sample 48.4 percent of the respondent's annual income was in between ₹ 15000 to ₹ 25000; around half of the sample respondents (49 percent) belong to small family and 30.6 percent belongs to extended family.

2.1 Purchase patterns

Urban and Metro (68 percent) base customers are visiting the malls, only 36.4 percent of the

customers are associated for 3 years with the store. About 45 percent of the customers shown interest to buy from branded shops and multiplex showrooms and 33.2 percent preferred discount stores. Half the sample were expressed that they are not particular to any day and only 20 percent felt it convenient to buy in weekends, around 35 percent of the customer are willing to spend Two to Three hours for shopping and they prefer to shop along with neighbors (28.8 percent) and friends (20.4 percent). The preferred shopping distance should be between 3km to 10km and each shopping they spending an average of ₹ 3000/-. Above half of the customer felt that shopping as entertainment and 20 percent of the respondents preferred only shopping, around 80 percent of the customers expressed their preferred time is between 1.00pm to 10.00pm.

2.2 Critical factors of Apparel Retail Service Quality

There are several factors affecting service quality, to understand the important factors of Retail service quality, Principal Component factor analysis was used. Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.875 (Table 2) and Bartlett's Test of Sphericity was .000 indicating the efficiency of the test. Five factors were extracted whose initial Eigen values are more than one. They are physical aspects, reliability, personal interaction, problem solving and policy. All these five factors contributing to 60.54 (Table 3) percent of the variance on the dependent variable service quality, and out of which Personal Interaction is contributing to 34.41 percent of total variance, and the next important factor is Reliability of the store contributing to 11.21 percent of the total variance .

Table 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.875
Bartlett's Test of Sphericity Approx. Chi-Square	3079.638
df	300
Sig.	.000

Table 3. Variance explained by each factor

Factors	Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
Personal Interaction	8.603	34.412	34.412
Reliability	2.804	11.217	45.629
Policy	1.385	5.539	51.167
Physical Aspects	1.286	5.145	56.312
Problem Solving	1.059	4.235	60.548

Table4. Rotated Component Matrixa

Items	Service Quality factors				
	Personal Interaction	Reliability	Physical Aspects	Policy	Problem Solving
Q1			.817		
Q2	.732				
Q3			.564		
Q4			.648		
Q5			.457		
Q6	.526				
Q7			.575		
Q8	.426				
Q9	.640				
Q10	.741				
Q11	.668				
Q12	.571				
Q13	.722				
Q14	.692				
Q15				.779	
Q16	.595				
Q17		.704			
Q18		.706			
Q19		.546			
Q20		.765			
Q21					.611
Q22		.695			
Q23		.577			
Q24				.516	
Q25		.768			
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 7 iterations.					

Table 4 indicates the values of item correlations to the service quality dimensions, there are five dimensions of service quality are extracted, in each dimension the items from Q1 to Q25 are grouped according to highest correlated value with that dimension. These dimensions are named as

Personal Interaction: Items consists of (Q2,Q6,Q8,Q9,Q10,Q11,Q12,Q13,Q14,Q16)

Reliability : Items consists of (Q17, Q18, Q19, Q20, Q22, Q23, Q25)

Physical Aspects : Items consists of (Q1, Q3, Q4, Q5, Q7)

Policy : Items consists of (Q15, Q24)

Problem solving : Items consists of (Q21)

2.3 Impact of Service Quality on Apparel Retail Customer Satisfaction

The following hypothesis were formulated to test the impact of service quality on apparel retail customer satisfaction

H1: There is an impact of service quality on Apparel Retail Customer satisfaction

H1a: Personal interaction has an impact on Apparel Retail Customer Satisfaction

H1b: Reliability has an impact on Apparel Retail Customer Satisfaction

H1c: Physical aspects has a impact on Apparel Retail Customer Satisfaction

H1d: Policy has an impact on Apparel Retail Customer Satisfaction

H1e: Problem Solving has an impact on Apparel Retail Customer Satisfaction

Multiple linear Regression test was conducted to know the impact of service quality on apparel retail customer satisfaction, customer satisfaction as dependent variable and service quality factors are taken as independent variables for the regression test. It is observed that there is a strong relationship between service quality and customer satisfaction, 66 percent of the variance in the dependent variable customer satisfaction is explained by service quality factors (Table 5, Adjusted R Square value is .660) and the model is significant as the p value is .000 (less than .05), analysis revealed that out of five factors of service quality, policy of the store was insignificant (.295) and the other factors namely personal interaction, reliability, physical aspects and problem solving are significantly effecting customer satisfaction.

Table 5. Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.825 ^a	.680	.660	4.83157

Table 6. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3878.165	5	775.633	33.226	.000 ^a
	Residual	1820.835	78	23.344		
	Total	5699.000	83			

a. Predictors: (Constant), Personal Interaction, Reliability, Physical Aspects, Problem Solving,

Policy

b. Dependent Variable: customer satisfaction

The regression model indicates a good fit (Table 6, F value- 33.226 and p value-.000) between customer satisfaction and service quality factors. It is inferred that there is a positive relationship between factors of service quality and apparel retail customer satisfaction. So hypothesis H1 was accepted.

Table 7. Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	45.631	.532		85.799	.000
Personal Interaction	2.035	.534	.253	3.811	.000
Reliability	5.450	.581	.620	9.386	.000
Policy	.572	.542	.068	1.055	.295
Physical aspects	2.247	.553	.262	4.064	.000
Problem solving	2.000	.505	.254	3.960	.000
a. Dependent Variable: customer satisfaction					

The effect of each service factor on apparel retail satisfaction was tested, expect the factor Policy (p-value-.295) all other factors of service quality have significant impact on customer satisfaction. So the hypothesis H1d was rejected and the hypothesis H1a, H1b, H1c, and H1e were accepted. It is understood that to improve service quality Personal Interaction, Reliability, physical aspects and Problem solving needs to be improved as these factors having significant effect on customer satisfaction. From the above, the regression equation can fit as

$$CS=45.631+0.253PI+0.626R+0.068P+0.262PA+0.254PS$$

CS=Customer Satisfaction; PI=Personal Interaction; R=Reliability; P=Policy; PA=Physical Aspects; PS=Problem Solving; Regression constant=45.631

3. Conclusions

The retailing sector consists of both tangible and intangible factors while assessing the service quality and measuring service quality in retailing is different from any other sector or segment. Indian Apparel Retailing is the fastest growing segment after food and grocery and there are several service deficiencies like long waits for billing, improper customer treatment and handling of customer complaints. The present study observes the critical factors effecting apparel service quality and should concentrate more on Personal interaction and Reliability of the store in order to enhance their service. The study also revealed that service quality factors will significantly effects customer satisfaction. It was proved that except policy of the store, Personal interaction, Reliability, physical aspects and problem solving are significantly

effecting customer satisfaction. The study helps the retailers to focus on critical areas of service where to improve, where to modify and where to cut down and enables them to take effective service strategies. The study can be extended to several retail segments and generic factors for Indian retail service quality can be discovered.

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Annexure I

Hyderabad City Profile

Hyderabad is the fifth largest metropolis in Indian and is the capital city of Andhra Pradesh. The city was founded by Muhammad Quli Qutb Shah in the year 1590. Hyderabad is one of India’s most important economic centres and is also gaining much importance in the IT sector. The city acts as a shopping center for all varieties of products and services it draws customers from various parts of the state and is main distributing hub. Hyderabad retail space is exploding with single brand retail outlets, multi branded stores, shopping complexes and Malls. The city Apparel export park is the flagship of apparel industry in India exporting garments to EU, USA and UK.

The city is the foremost destination for major MNC’s. The growth of Hyderabad’s economy is largely due to the software services. The city is sometime referred to as “Cyberabad” owing to the presence of large numbers of IT Firms in the city.

The government of Andhra Pradesh gives highest priority to the industrial sector on account of the vital role it plays in balanced and sustainable economic growth. It plays a crucial role in the process of economic development by value addition, employment generation, equitable distribution of national income, regional dispersal of industries, and mobilization of capital, entrepreneur skills and contribution to exports. The state’s industrial policy is very liberal for huge investment in sectors like IT, Biotechnology and Pharmaceuticals. Traditional sectors such as textiles, leather, minerals, and food processing are also being developed for high value addition. Hyderabad being the capital of the state enjoys highest priority for investment

About Hyderabad

Area:	217 Sq Km
State:	Andhra Pradesh
Currency:	The unit of currency in Hyderabad is the 'Rupee'
Attractions:	Char Minar, Golconda Fort, Qutbshahi Tomb, Mecca Masjid, State, Central, Technical Universities andHITEC City
Languages Spoken:	Urdu, Hindi, Telugu and English
Airport:	The International airport at Shamshabad, 20 Km south of the Hyderabad city.
Religion:	About 50% of the population consists of Muslims; there are Hindus and Sikhs also
Exports:	Software, Apparel Garments, Basmati rice and spices, medical transcription and oil exports.
Industries:	Electrical fans, cooling systems, software industries, jewelers, pharmaceuticals and automotive industries.