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An Empricial Study on Customer Perception towards Service Quality in Organized Retail Outlets

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Abstract:
The Indian retail industry has experienced high growth over the last decade with a noticeable shift towards organized retailing outlets. The industry is moving towards a modern concept of retailing. The size of India's retail market was estimated at US $435 billion in 2010. Of this, US $414 billion (95% of the market) was traditional retail and US $21billion (5% of the market) was organized retail. India's retail market is expected to grow at 7% over the next 10 years, reaching a size of US $850 billion by 2020. Traditional retail is expected to grow at 5% and reach a size of US $650 billion (76%), while organized retail is expected to grow at 25% and reach a size of US $200 billion by 2020. The Indian retail sector provides immense opportunity for large scale retailers to set-up their operations which results in a tread of organized retail outlets like departmental stores, hypermarkets, supermarkets and specialty stores and hence altering the retailing landscape in India. Further, easy availability of Debit/Credit cards has contributed significantly to a strong and growing online consumer culture in India.
In India the retail sector accounts for 22% of the country's Gross Domestic Product (GDP) and contributes to 8% of the total employment. The industry is experiencing exponential growth, not just in major cities and metros, but also in Tier-II and Tier-III cities. According to a report by an industrial body, "India has a young, well-educated and professional population, core customers. It has a very good market. We choose to be in India before China," as per Mr. Jonathan D Caplan, President and Chief Executive, Genesco Inc. Based on the above backdrop, an empirical attempt has been made in this paper to study the customer's perception towards retailer service quality in organized retail outlets in Vellore city, Tamil Nadu. This study also try to find out the interrelationship between various retail service qualities dimensions, which will help the retailers to identify the steps needed to improve the overall quality of service.

Keywords: Customer perception, service quality, organized retail

1. Introduction
Indian retail industry is changing in a rapid speed from traditional formats to modern formats, from unorganized to organize. The industry is experiencing exponential growth, with retail development taking place not just in major cities and metros, but also in Tier-2 and Tier-3 cities. Since liberalization in early 1990s, many Indian players like Shoppers Shop, Pantaloon Retail India Ltd, Spencer Retail ventured into the organized retail sector and have grown b man folds since then. These were the pioneers of the organized Indian retail formats. With the opening up of foreign direct investment in single-brand retail and cash-and-carry formats, a new chapter unfolded in the retail space. The cash-and-carry format has proved to be an entry route for global multichannel retailing giants like Metro, Wal-Mart and Tesco, GAP. The cash-and-carry business is the easiest mode of entry for foreign retailers into India. The recent approval of governments, 51% FDI in multi brand have attracted many global players like Metro, Wal-Mart, Tesco, GAP and Shoprite for joint venture with Indian companies in front end retail. The upcoming changes in FDI will change the Indian retail growth scenario, service quality to customers, employment opportunities, challenging competition to Indian retailers, farmers may benefit from it but on the other had small traders feel they will not be able to withstand the competition (Shubhakar Gootam, 2014). In this background, this research investigation going to address the customer's perception towards service quality in organized retail outlets in Vellore City, Tamil Nadu.

2. The Growth of Organized Retail in India
The Indian retail industry has experienced high growth over the last decade with a noticeable shift towards organized retiling formats. The industry is moving towards a modern concept of retailing. The size of India's retail market was estimated at US $435 billion in 2010. Of this, US $414 billion (95% of the market) was traditional retail and US $21 billion (5% of market) was organized retail. India's retail market is expected to grow at 7% over the next 10 years, reaching a size of US $850 billion by

2020. Traditional retail is expected to grow at 5% and reach a size of US $650 billion (76%), while organized retail is expected to grow at 25% and reach a size of US $200 billion by 2020.

The US based global management consulting firm, A.T. Kearney, in its Global Retail Development Index (GRDI) 2011, has ranked India as the fourth most attractive nation for retail investment among 30 emerging markets. As India's retail industry is aggressively expanding itself, great demand for real estate is being created. The cumulative retail demand for real estate across India is expected to reach 43 million square feet by 2013. Around 46% of the total estimated demand between 2009 and 2013 will be come from Tier-1 cities. For example, Pantaloon Retail added 2.26 million square feet (sq. ft) of retail space during the fiscal 2011 and booked over 9 million sq. ft of retail space to fructify its expansion plans in future (Atul Pandey, 2014).

3. Organized Retail Outlets in India

The penetration of organized retail will happen much faster in the coming decade, even in tier 2 and tier 3 Indian cities, because of the changing demographics of India's population and a healthy rate of economic growth. With good underlying economic growth, increase in disposable income, increased awareness due to penetration of broadband and mobile devices with internet accessibility, the demand for consumer goods will rise. With better and improved service quality to customers and process in place; all this is bound to assist in increasing the penetration of the organized retail sector in India. Some of the major players in the Indian retail market, with a dominant share were given in table 1.

Name of the Holding Company	Prime Banners
Pentaloon Retail	Pantalooms, Central, Brand Factory, Ezone, Hometown, Planet sports, Bigbazar, Foodbazar and KB's Fair Price Shop.
Tata Group	Croma, Landmark, Poltrona Frau Group Design Center, Star Bazaar, Tashi and Westside.
RPG Group	Spence's, Books and Beyond and Music World
Landmark Groups	Centrepoint, Babshop, Splash, Shoe Mart, Lifestyle, Beauty bay, Iconic and Q Home Décor
Reliance	Reliance Fresh, Reliance Trends, Reliance Foot Print and Reliance Digital

Table 1: Indian Retail Market with Dominant Share
Source: Atual Pandey (2014)

4. Organized Retail Sector – Foreign Chains

Some of the global players has tie-up with Indian players in organized retail industry are:

Wal-Mart Stores Inc. It has a cash and carry operation with Indian partner Bharti Enterprises, the parent of leading mobile provider Bharti Airtel, operates 14 stores. Tesco. Britain's largest retailer has a tie-up with Trent's Star Bazaar hypermarket chain. Tesco is also looking forward to enter the wholesale market through the tie up. Metro AG. Germany's Metro AG operates eight wholesale stores. Carrefour. It has two cash-and-carry stores, on in Delhi, one in Jaipur. The world's No.2 retailer seeking a local partner to enter the hyper or supermarket (Apama, 2011).

5. Share of Organized Retail Sector

The below table 2, shows the share of organized sector in total retail trade of India. In 2005, according to AT Kearney Indian organized retail sector was more 3.5% compared to unorganized sector which was 96.5%. Organized retail gained momentum in 2006 with the announcement of relaxation in retail sector FDI policy of 51% in single brand retail, as a result According to MC Kinsey in their 2008 report, revealed a 5% share of organized retailing in India, a very small change has seen in comparison to 2005. According to AT Kearney in 2010 organized retail sector grown to 8% and in 2013 it grown to 10%, the main reason was changes in FDI, but still the Indian organized retail sector is having very small share when compared to unorganized retail sector.

Report	Year	Organized (in %)	Unorganized (in %)	Total (in %)
AT Kearney	2005	96.5	3.5	100
MC Kinsey	2008	95	5	100
AT Kearney	2010	92	8	100
AT Kearney	2013	90	10	100

Table 2: Organized Retail Sector in Total Retail Trade
Source: Shubhakar Gootam, 2014

6. Categories of Organized Retail Sector

The following figure 1, depicts the share of different categories of organized retail sector in India. Food and grocery (60%), apparel (8%) and mobile and telecom (6%) constitute the major portion of organized sector in India.
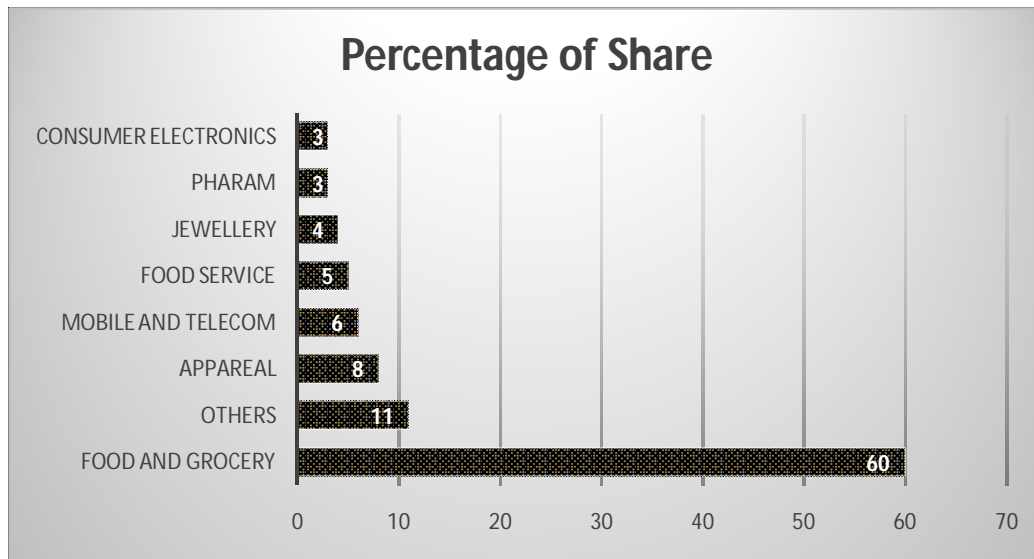
Figure 1: Percentage Share of Different Categories in Organized Retail Sector
Source: Deloitte 2013

7. Review of Literature

To justify the need of present study, following literature has been reviewed.

Baker et al, (2002) studied that store environment factors, particularly physical design perceptions, significantly affect consumers' perceptions of merchandise price, merchandise quality, and employee service quality. Bucklin and Lattin (1992) show that retail promotions in any one category do not directly influence a consumer's store choice decision, but they indirectly affect where the category is purchased. Kumar and Leone (1988) and Walters (1991) find a significant impact of promotions on stores switching traffic. However, it is unlikely that consumers would keep tract of weekly promotion on a multitude of categories in all the stores in their neighborhood. Bell Ho and Tang (1998) found that location no longer explain most of the variance in store choice decisions. Rather store choice decisions seems to be consistent with a model where consumers optimize their total shopping costs, effort to access the store location being one component of their fixed cost of shopping. Anirban Sengupta (2007) focused o emergence of modern retail in India, and role of consumer buying power, manufacturers and unorganized retails at the macro level. Deloitte (2011) revealed about the new elements of consumers behavior in shopping – connected consumers and discussed the model of consumer expectations of the shopping journey in store. Technopak (2011) revealed the growth of Indian retail market- percentage share in all categories and hanging consumption pattern and changing consumers shopping behavior especially role of women. The above literature shows the important contribution to customer perception towards price quality, quantity, location, packaging and display in organized retail outlets. In light of above literature, the present study attempts to identify the customer perception towards service quality in organized retail outlet in Vellore city, Tamil Nadu.

8. Statement of Problems/Research Gap

The growth of retail markets in India has influenced by the lifestyle, changing consumer behavior and consumption patterns, increase in disposable income of the population. The consumer trend shifted from saving behavior to spending. Technology in hand also showing a major impact on shopping behavior and consumption trends. On contrary the retail sector also going to face continuous challenges in area of supply chain, real state, regulatory, private labels and changing consumer behavior. From the various problems discussed so far, there are many studies focused on other areas of organized retail sector and no study seems to concentrate on customer perception towards organized retail outlet in Vellore city. Hence, the authors undertaken this study titled customer perception towards service quality towards organized retail outlets in Vellore city.

9. Objectives of the Study

    a. To study the growth of organized retail in India
    b. To study the demographic profile of the respondents
    c. To examine the customer's perception towards service quality in organized retail outlet in Vellore city.

10. Research Hypothesis

- Ho: (Null hypotheses) There is no significant relationship between age and FDI in retail sector will lead to rapid economic growth in India.
- H1: (Alternative hypotheses) There is significant relationship between age and FDI in retail sector will lead to rapid economic growth in India.

11. Research Methodology

- Methodology: Empirical research work.
- Source of Data: Secondary data - Internet, Books, various publications and magazines. Primary data – Questionnaire through direct personal interviews.
- Sampling method: Convenience Sampling
- Sample size: 100
- Sample area: Mega Mart, in Vellore City, Tamil Nadu.
- Data Collection: Structured questionnaire with the target population.
- Data analysis: Statistical techniques like frequency distribution and t-test were used for analysis of the data.

12. Test of Reliability

The current study has used Cronbach's alpha, which is the most widely used measure for testing the reliability. The dataset used for the study had a Cronbach's alpha of 0.796

13. Limitations of the Study

The major limitation of the study is that the results may not be universally applicable as it is an empirical study. The opinion of the respondents may differ at different points of time. If a larger number of sample respondents had been considered for the study, the results might have differed in that case. The sample size is restricted to 100 only and the area of the study is also restricted to only Vellore city.

14. Analysis and Findings

14.1 Percentage Analysis
The data pertaining to demographic profile of the respondents were given in table 3.

Gender	Frequency	Percentage
Male	56	56
Female	44	44
Total	100	100
Age Group	**Frequency**	**Percentage**
16-25 years	31	31
26-35 years	18	18
36-45 years	19	18
46-55 years	16	16
Above 55 years	17	17
Total	100	100
Visit of retail outlets	**Frequency**	**Percentage**
Weekdays	4	4
Weekends	73	73
Holidays	23	23
Total	100	100
Customer Service quality	**Frequency**	**Percentage**
Strongly agree	50	50
Agree	46	46
No response	2	2
Disagree	2	2
Strongly disagree	0	0
Total	100	100

Table 3: Demographic profile
Source: Primary data

14.1.1. Inference
It is inferred from table 3, that 56% of the respondents belongs to male categories and 44% of the respondents belongs to female categories. With regards to age groups 31% of the respondents belongs to 16 to 25 years and 18% of the respondents belongs to 26 to 36 years. Majority of the respondents (73%) went to organized retail for shopping on weekends and 23% of the respondents visited retail shop on holidays only. Customer's perception towards service quality in mega mart indicates that, 50 out of 100 respondents strongly agreed and 46 out of 100 respondents agreed that they received good quality of service from the retail stores.

14.2. Mann-Whitney Test

14.2.1. Testing of Hypothesis
The data pertaining to gender with customer service quality of the respondents were given in table 4.

Variable	Gender	N	Mean Rank	U-value	Significance
Over all customer's service quality	Male	100	103.50	330.00	0.019
	Female	100	79.50		

Table 4: Customer service quality
Source: Primary data

15. Findings
Hypothesis Ho states that there is no significant relationship between male and female respondents and their overall customer's service quality when visiting retail outlets. Mann-Whitney test was used to get the results, which are depicted in the table 4. The hypothesis Ho is not accepted, as there is a significant relationship between male and female respondents in their service quality offered in retail outlets. The U value (330.00, significant P value <0.019)shows the results are statistically significant.

16. Conclusion
It is conclude from the above study that, the Indian organized retail sector's impact changed the lifestyle of the Indian consumer's drastically. The evident increase in consumerist activity is colossal which has already chipped out a money making recess for the Indian organized retail sector. With the onset of a globalized economy in India, the Indian consumer's psyche has been changed. People have become aware of the value of money. Nowadays the Indian consumers are well versed with the concepts about quality of products and services. These demands are the visible impacts of the Indian organized retail sector.

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