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## Effect of Service Quality on Behavioral Purchase Intentions: Study on University Students in India

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### **Abstract:**

*In recent years India has witnessed a major transformation from a highly regulated economy to globalised economy. Indian customers are now exposed to global goods and services from multinational companies which have resulted in change in the aspiration level of the customers. Faced with intensified competition companies have been seeking ways to differentiate their offerings from their competitors. The purpose of the research was to examine the relationship between service quality and behavioural purchase intentions of youth in India. The finding confirms the link between service quality and behavioral purchase intentions of Indian youth in an apparel retail setting.*

**Keywords:** Service Quality, Behavior, Purchase intentions, Indian Youth

### **1. Introduction**

Until early 1990's Indian market was highly regulated system in all areas of activity. The price regulation and various controls imposed by the government created a system in which competition was almost unknown. A more competitive market has been achieved through the deregulation of markets, increased Foreign Direct Investment (FDI), rapid industrialization coupled with liberalization policies in various sectors of the economy. The Indian demographic landscape has witnessed enormous changes in the past few decades. Indian customers are now exposed to global goods and services from multinational companies which have resulted in change in the aspiration level of the customers. Faced with intensified competition companies have been seeking ways to differentiate their offerings from their competitors. Service quality has been suggested as means of developing competitive advantage (Parasuraman et al., 1988). Superior service quality has positive effects on customer satisfaction and behavioral intentions and many service firms are using service quality to differentiate their service offerings from their competitors. Scientific interest in service quality has increased greatly since the 1980s, inspired by the publication of works by such authors as Gronroos (1982) and Parasuraman et al. (1985). More recently, research in service quality has been oriented towards an analysis of its effects on consumer behaviour and strategic market planning (Friman et al., 2001; Zeithaml et al., 1996). Various studies, such as Parasuraman, Zeithaml, and Berry (1988, 1994); Zeithaml, Berry, and Parasuraman (1996); and Liu, Sudharshan, and Hamer (2000), have found perceived service quality to have an effect on several types of behavioral intentions. For example, Zeithaml, Berry, and Parasuraman (1996) found that perceived service quality has (a) positive effects on loyalty to a company and willingness to pay more and (b) negative effects on propensity to switch and to engage in an external response to a problem. In summary most of the investigation linking service quality to behavioral purchase intention has been in European or American markets. The present research is an attempt to understand the effect service quality on behavioral purchase intentions among Indian University students in an Indian retail setting. The youth population was selected as the sample as youths represent a large consumer market for global branded products in India, and changes in lifestyle are more apparent in their case.

The first section of the article covers the theoretical background to the study; this is followed by the research methodology, findings and discussion, managerial implications, limitations, and future research directions.

### **2. Theoretical Background**

#### *2.1. Service Quality*

Service quality is defined as how well the service meets or exceeds the customers' expectations on a consistent basis (Parasuraman, Zeithaml and Berry, 1985). The difficulty, however, is that service quality, unlike product quality, is more abstract and elusive, because of features unique to services: intangibility, inseparability, heterogeneity (Parasuraman, Zeithaml and Berry, 1985) and perishability and is therefore difficult to measure. SERVQUAL is a multiple item scale used to measure expectations and perceptions of service quality (Parasuraman, Zeithaml and Berry, 1985; 1988) and is the seminal work in both the conceptualization and operationalization of service quality. This 22-item scale was primarily used in service and retailing organizations.

Since its introduction, SERVQUAL has spawned many other studies undertaken by both academicians and practitioners alike. It has been applied and tested in diverse settings which include hospital, banking (Cronin & Taylor, 1992), business school placement centre, tyre store, dental school patient clinic and acute care hospital (Carman, 1990), discount and departmental store (Dabholkar et al., 1986) and others. Due to the absence of alternate measuring instruments of service quality in a retail context various researchers have applied SERVQUAL in different retail context like apparel specialty store (Gagliano & Hathcote, 1994), retail store, departmental stores and discount stores (Finn & Lamb, 1991), tire retailers (Carman, 1990); but researchers have cautioned that care has to be taken to apply SERVQUAL in the retail context (Finn & Lamb, 1991). Evidence from the review of the studies mentioned above shows that SERVQUAL fails to provide an accurate measure of service quality in the retail setting. As a component of the service industry, there is a debate over the uniqueness of the retail services to the other service firms.

### 2.2. Retail Service Quality

According to Hummel et al. (1988) service quality is an important strategic weapon in retail contexts, particularly in developing defensive marketing strategies. Several authors have agreed that intense competition in the retail sector makes service quality an important determinant of customer satisfaction and overall business performance in the sector. Service quality in retailing is different from many other product/service environment (Gagliano and Hathcote, 1994). The measurement of service quality in a retail setting is somewhat different from the measurement of service quality in other ('pure') service settings (such as banking, telecommunications, and so on). Retail offerings are a mix of merchandise and service, and the experience of customers in retail stores thus involves such activities as negotiating their way through the store, finding the merchandise, interacting with a variety of store personnel, and returning unsatisfactory merchandise—all of which have a direct influence on the customers' evaluations of service quality. Although measures of service quality in 'pure' service environments and retail environments are likely to share some common dimensions, it has been argued that measures of retail service quality must take additional dimensions into consideration (Dabholkar et al., 1996).

### 2.3. Service Quality and Behavioral Intentions

Various studies, such as Parasuraman, Zeithaml, and Berry (1988, 1994); Zeithaml, Berry, and Parasuraman (1996); and Liu, Sudharshan, and Hamer (2000), have found perceived service quality to have an effect on several types of behavioral intentions. For example, Zeithaml, Berry, and Parasuraman (1996) found that perceived service quality has (a) positive effects on loyalty to a company and willingness to pay more and (b) negative effects on propensity to switch and to engage in an external response to a problem. But they did not find any significant effects of service quality on internal response to a problem. Other recent studies have found that customers from different cultures formed different perceptions of the service quality of the same stimuli either because of differences in expectations or because they attached different weights to different service quality criteria. The literature briefly reviewed above provides the motivation for, and insights leading to, the following set of hypothesis:

- R1: Service Quality perception of Indian youth will have a relation to their behavioral purchase intentions.
- R2: Service quality perceptions of Indian youth would predict their behavioral purchase intentions.

## 3. Research Methodology

The objective of the present empirical study was to examine the relationship between service quality and behavioral purchase intention in the context of apparel retail in India. The research setting was the apparel specialty retail stores in Delhi/NCR.

### 3.1. Instrument Design

This study uses the RSQS scale developed by Dabholkar et al. (1996) for measuring service quality in retail stores. To determine customer's behavioural intentions, five subscales proposed by Zeithaml et al. (1996) were used: loyalty to company (loyalty), propensity to switch (switch), willingness to pay more (pay more), external responses word-of-mouth communications (three items, e.g., saying positive things about the team to others) and repurchase intentions (three items, e.g., attending more games in the near future). Evidence regarding these subscales' validity and reliability has been provided in previous published studies (Alexandris et al., 2004; Bloemer et al., 1999; de Ruyter et al., 1998).

### 3.2. Sample

The study was administered to graduate and postgraduate students (an age group between 18–24 years) studying in three Indian national universities and random sampling techniques were used. The students were requested to participate in the survey. The questionnaire was administered during class hours. Only 373 completed questionnaires could be used for the research as the remaining 66 questionnaires were incomplete and not returned. The total number of female respondents was 175, and male respondents were 198.

## 4. Findings And Discussions

The construct reliability of the RSQS scale was tested at the overall scale as well as the dimensional level. The results of the test indicate that the retail quality scale as proposed by Dabholkar et al. (1996) is a very reliable instrument, registering an overall Cronbach alpha value of .939. All the dimensions also recorded also recorded coefficient alphas above .70, adhering to the minimum value of .70 as suggested by Nunnally (1978).

4.1. Relationship between Service Quality and Behavioral Purchase Intentions

To understand the relationship between retail service quality and behavioral purchase intentions a correlation analysis was done. The correlation results show a positive relationship between retail service quality and behavioral purchase intentions on some attributes.

Service Quality Dimensions	Behavioral Purchase Intentions				
	Loyalty to company	Willingness to Switch	Willingness to pay more	External response	Internal response
Physical Aspects	.487**	.002	.522**	.518**	.021
Reliability	.576**	-.078	.622**	.624**	-.019
Personal Interaction	.600**	-.112*	.816**	.827**	-.035
Problem Solving	.623**	-.111*	.537**	.846**	-.140**
Policy	.580**	-.130*	.508**	.462**	.075

Table 1: Correlation

\*\*Correlation is significant at the 0.01 level (2-tailed).

\*Correlation is significant at the 0.05 level (2-tailed).

For physical aspects, behavioral purchase intentions were significant for loyalty to company, willingness to pay more and external response to the problem. The result suggests that Indian customers give high relevance to physical aspects of the retail store for continuing their patronage of the retail stores. Customers are ready to pay more for the ambience and other physical facilities in the store.

The construct reliability exhibits a positive correlation with loyalty to company, willingness to pay more and external response to problem (significant at .01 levels).The results posits that Indian youth customer’s loyalty towards a store and store patronage depends on reliable service of the stores. The results also show that if the reliability of the service is lower Indian customers may spread a wrong word of mouth which may have a long term impact on store patronage.

The Personal interaction construct had a positive correlation with loyalty to company, willingness to pay more and external response to a problem(significant at .01 levels).This implies that Indian customers prefer stores where personalized service is delivered and employees are friendly to customers.

The construct problem solving has a positive correlation with loyalty to company, willingness to pay more and external response to a problem (significant at .01 levels).The implies that Indian customers patronize those stores who are proactive in dealing with customers genuine problems. The construct problem solving has a negative correlation with internal response(significant at .05 levels).This implies that those stores who are proactive in solving customer problem face less customer complaints.

The construct policy has a positive correlation with loyalty to company, willingness to pay more and external response to a problem (significant at .01 levels).This implies that Indian customers prefer those stores who has well defined and transparent policies.

4.2. Predicting Loyalty to Company

The degree to which loyalty to company can be predicted by the five service quality dimensions was tested by the in the first regression model(Table 2 )The regression analysis produced a significant effect (F=85.36, p<.001).The dimensions of reliability(Beta=.258,t=4.447,p<.001),problem solving(Beta=.357,t=7.426,p<.001) and policy (Beta=.292,t=6.551,p<.001) had significant contributions. The three dimensions together predicted 50% of the variance in loyalty to company.

Loyalty to Company			
	Beta	T	p-value
Physical Aspects	.023	.467	.641
Reliability	.258	4.447	.000
Personal Interaction	-.022	-.317	.751
Problem Solving	.357	7.426	.000*
Policy	.292	6.551	.000*
R <sup>2</sup> = .538			
F <sub>(5,228)</sub> = 85.366			p<.001

Table 2: Regression analysis for service quality dimensions and Loyalty to company

4.3. Predicting Willingness to Switch

The second regression analysis was conducted to examine the degree to which consumers’ willingness to switch can be predicted by the five service quality dimensions (Table 6). The regression analysis did not produce a significant effect (F=2.585,p>.001)

**Willingness to Switch**

	<b>Beta</b>	<b>T</b>	<b>p-value</b>
Physical Aspects	.157	2.243	.025
Reliability	-.014	-.166	.869
Personal Interaction	-.093	-.932	.352
Problem Solving	-.067	-.965	.335
Policy	-.112	-1.740	.083
R <sup>2</sup> = .034 F <sub>(5,228)</sub> = 2.585 p < .001			

Table 3: Regression analysis for service quality dimensions and willingness to switch

**4.4. Predicting Willingness to Pay More**

The third regression analysis was conducted to examine the degree to which consumers' willingness to pay more can be predicted by the five service quality dimensions. The regression analysis produced a significant effect (F=149.048, p<.001). However only the dimension of Personal Interaction (Beta=.754, t=12.9, p<.001) offered significant contribution. The single dimension accounted for 67% of variance of Willingness to pay more (Table 7).

**Willingness to Pay More**

	<b>Beta</b>	<b>T</b>	<b>p-value</b>
Physical Aspects	-.030	-.741	.459
Reliability	.075	1.527	.128
Personal Interaction	.754	12.900	.000
Problem Solving	-.008	-.205	.837
Policy	.050	1.320	.188
R <sup>2</sup> = .670 F <sub>(5,228)</sub> = 149.048 p < .001			

Table 4: Regression analysis for service quality dimensions and willingness to pay more

**4.5. Predicting External Response to a Problem**

The fourth regression analysis was conducted to examine the degree to which consumers' external response to a problem can be predicted by the five service quality dimensions. The regression analysis produced a significant effect (F=424.779, p<.001). However only the dimension of Personal Interaction (Beta=.575, t=14.718, p<.001), Problem solving (Beta=.554, t=20.441, p<.001) and Policy (Beta=-.091, t=-3.625, p<.001) offered significant contribution. The three dimensions accounted for 92.3 % of variance of External response to a problem (Table 8).

**External Response to a Problem**

	<b>Beta</b>	<b>T</b>	<b>p-value</b>
Physical Aspects	-.072	-2.621	.009
Reliability	-.020	-.603	.547
Personal Interaction	.575	14.718	.000
Problem Solving	.554	20.441	.000
Policy	-.091	-3.625	.000
R <sup>2</sup> = .923 F <sub>(5,228)</sub> = 424.779 p < .001			

Table 5: Regression analysis for service quality dimensions and external response to a problem

**4.6. Predicting Internal Response to a Problem**

The fifth regression analysis was conducted to examine the degree to which consumers' external response to a problem can be predicted by the five service quality dimensions. The regression analysis produced a significant effect (F=241.236, p<.001). However only the dimension of Policy (Beta=-.812, t=-23.786, p<.001) offered significant contribution. The single dimension accounted for 83.6 % of variance of internal response to a problem (Table 9).

**Internal Response to a Problem**

	<b>Beta</b>	<b>T</b>	<b>p-value</b>
Physical Aspects	-.033	-.966	.334
Reliability	.046	1.123	.262
Personal Interaction	.070	1.420	.156
Problem Solving	.812	233.786	.000
Policy	.015	.471	.638
R <sup>2</sup> = .876			
F <sub>(5,228)</sub> = 241.236 p < .001			

*Table 6: Regression analysis for service quality dimensions and internal response to a problem*

### 5. Managerial Implications

Retail service quality is also highly associated with future consumption behavior in terms of the customer's intensity to visit, intensity to purchase, intention to recommend and past complaint behavior. All the underlying dimensions of service quality play a role in stimulating repeated store patronage and the spread of word of mouth. However it is noteworthy to point out that correlation between the past complained behavior and the RSQS scale is negative and insignificant. A possible explanation to this that past complaint behavior was an inappropriate measure as Indian shoppers tends not to complain and would rather switch to different stores as a form of passive protest.

As previously noted, while the link between service quality and consumer behavioral intentions has been researched in the service marketing literature (Athanassopoulos et al., 2001; Cronin et al., 2000; Dagger et al., 2007; Zeithaml et al., 1996), the relationship was not yet established in the context of Indian specialty apparel retail. While the relationship between service quality and propensity to switch was rather weak, the result of the present study indicate that service quality dimensions predicted a significant amount of variance for consumers loyalty to company (53.6%), willingness to pay more (67%), external response to a problem (92.3%) and internal response to a problem (87.6%). This findings provides evidence for the value of service quality in the context of Indian specialty apparel retail stores .

The result of the study indicates that external response to a problem is one of the most important strategies for Indian apparel retail companies. In terms of the individual dimensions that contributed to the prediction of the external response to a problem, the results indicate that the personal interaction, problem solving and policy made significant contributions.

The result of the study also indicates that internal response to a problem is the second most important strategy for Indian apparel retail companies. In terms of the individual dimensions that contributed to the prediction of the internal response to a problem, the results indicate that the problem solving made significant contributions.

The results also indicate that willingness to pay more is directly influenced by personal interaction. This finding clearly indicates the importance of communication between the consumers and the retailers which indirectly influences the consumers to pay more or shift to high end products. The study also indicates that loyalty to company is significantly influenced by problem solving and store policy.

One of the unexpected findings of the study was the non- relationship between the propensity to switch and service quality. This is probably due to the sample of the study. The data were collected in an Indian setting where the customers may have not been exposed to variety of retail apparel formats.

In conclusion, the present study provided evidence that service quality is an important predictor for the development of loyalty to the store, willingness to pay more, external response to a problem and internal response to a problem, which should become a part of the overall marketing strategy of apparel retail marketing organizations.

### 6. Limitations And Future Research

In this study, no attempt was made to modify the RSQS scale apart from an examination of the face validity of the items. Pre –test interviews were conducted solely for the purpose of accessing wording of items.

The research was conducted only on university students; further research may be conducted on older consumers to understand their evaluations of different services. A comparison between younger and older people can be done to understand if any significant differences exist between groups. Income, occupation, education, and region of domicile can be also considered as important variables affecting the behavioral purchase intentions of Indians.

A last issue that should be pointed out relates to the weak relationship between service quality and switching behavior revealed in the present study. Future research should incorporate within the service quality models factors that have been shown to significantly predict consumer switching behavior , such as product availability, cost of switching, involvement, availability and brand image and brand associations.

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