Importance of Services in Organised Retail - An Empirical Study

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Abstract

Retailing is one of the most active and attractive sector of the last decade. While retailing itself has been present through history in our country, it is only the recent past that has witnessed so much dynamism in India. Organised retail has been preferred by customers because of various features such as variety, ambience, convenience, better services, etc. Services provided to customers are one very essential factor which leads to more number of customers to an organisation. Since their starting organised retailers have used customer service as one of the important tool to attract new and retain existing customers. Jharkhand a comparatively new state is also witnessing a significant shift from unorganised retailing to organised retailing.

This study aims to assess the importance of service in attracting and increasing customers for the organised retail outlets. A total of seven statements signifying services have been considered in the study. The various services focussed in the study are – the faster billing procedures, better customer relationship management practices, free gift packaging facility, free alteration, child care facility, exchange facility and personal attention to customers.

***Keywords:** Organised Retail, Services, Customer Relationship Management Practices*

Preamble

Retailing is one of the most active and attractive sector of the last decade. While retailing itself has been present through history in our country, it is only the recent past that has witnessed so much dynamism in India. The world 'retail' means selling directly to customers in small quantities as demanded by them. In India for generations the nearby grocery stores were the convenient options for the customers to purchase goods for themselves. As organised retailing ventured in the Indian market it changed the buying patterns of the Indians. Over the past few years there has been a proliferation of organised retail players from abroad. Existing players have been trying to increase their presence in the retail market. A number of large domestic business groups such as Tata, Reliance, ITC, RPG, Raheja and Piramal have setup malls and built businesses within retail. Organised retailers provide many distinctive advantages as compared to the traditional retailers like - pleasant ambience, convenience, variety, good infrastructure, better services etc.

India has been ranked on fourteenth position on the Global Retail Development Index in the AT Kearney Report 2013 and fourth in Asia. As an affect of the global slowdown India's growth rate has slipped to 5 percent from a 10 year average of 7.8 percent. On the GRDI India's position has gone down by nine spots in comparison to the ranking of 2012 but it still holds a strong position. The world's largest developing markets - particularly the BRIC nations (Brazil, Russia, India, and China) still allure the largest global retailers because of the anemic growth in European and North American markets. But it has become tough for them to have a

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global expansion strategy in retail. Every market has its own characteristics which require unique strategies for success. The GRDI 2013 report highlights that global retailers have become more cautious and have taken a step back from aggressive expansion.

India still remains a high-potential market with an accelerated retail market growth of 14 to 15 percent by 2015. India's GDP growth rate of 6 to 7 percent, the rising disposable income particularly of the Indian middle-class and the rapid urbanisation signifies the retail growth in India. The changes made in the FDI regulations in October 2012 by the Government of India indicate a positive environment for the international retailers and retail growth in general. Organised retail share in India is still around 5percent which indicates a room of high growth opportunity for the organised retailers. Retailers are presently expanding their presence in tier 2 and tier 3 cities because the cost of real estate has skyrocketed in the metro areas. Metro, Bharti-Walmart and Carrefour have increased their presence in these markets.

Jharkhand also witnessed the entry of some of the retail chains like- Spencer, Reliance, Big Bazaar and Vishal Megamart Most of these started with multiple number of outlets but all of them could not sustain. Closure of some of the retail outlets in Jharkhand sent a warning signal to the existing ones and also to those who were looking to enter in this market. It has become now clear to the retail players that only opening the stores will not lead to success rather one has to catch the pulse of the market and act accordingly within time. The companies have to be update and upgrade them with the latest developments to be successful. This study was conducted in Jharkhand witnessing the changes going in its retail market. Before moving further let us have a brief look on the factors advocated as important by researchers in the past.

Price: It is one of the most important factors for Indian consumers in their purchase decision. Organised retailers have large presence due to which they achieve economies of scale in their operations. So they are able to offer products at cheaper rates as compared to the traditional retailers. This has helped them in attracting new customers and retaining the existing ones.

Variety: Another strong point of organised retailers has been variety which is much higher as compared to the traditional retailers. The availability of products even in various sizes and quantities has increased their customer base. Nuclear families, bachelors and persons living alone away from their family prefer retail outlets because they are able to buy products in small and varied quantities.

Brand Image: Their brand image has also helped in getting more customers. Entry of international players and big business houses in the retail sector has increased the confidence of the customers in their purchases. The customer feeling of getting reasonable or better quality, equal treatment and the confidence of not getting cheated has definitely increased their customer base.

Convenience: Proper locations, long opening hours, pick and choose facility and pleasant ambience has added convenience in shopping to the Indian consumers and is leading to more customers for the organised retailers.

Promotions: Ability to advertise which is not possible with the neighbourhood stores has differentiated them and attracted customers. Use of technology to inform customers by sms, e-mail has helped them to inform customers in advance about their new schemes and offers. This has made their promotional efforts more attractive and organised as compared to the traditional retailers.

Different Payment Options: The option of paying in cash or through debit & credit cards has also attracted more customers. The choice of not carrying cash while purchasing has increased convenience and safety to the customers. This has also led to more impulse and unplanned purchases by customers thus increasing the share of organised retailers in the Indian retail.

Infrastructure: Shopper friendly store design, air conditioned environment, trolleys, big size stores have resulted in a good infrastructure which has brought customers in organised retail outlets. This is definitely distinctive and attractive as compared to the traditional retailers. In this infrastructure Customers never feel bored or tired while purchasing leading to higher purchases by them.

Service: Services provided to customers are one very essential factor which leads to more number of customers to an organisation. As customers one can easily deduce that customer service provided by the organised retailers have been better as compared to the traditional retailers in India. Since their starting organised retailers have used customer service as one of the important tool to attract new and retain existing customers. Organised retailers have also used technology as a tool to differentiate their services as compared to the traditional retailers. Use of optical scanners at billing counters has made the billing process faster. They have used the services not only to differentiate but also to add value in the shopping experience of the customers. Provision of free alterations in garments, personal attention provided to customers by sales staff to help and assist if required has definitely added higher value in the shopping experience.

The Indian customers are very busy in their office & house hold activities due to which they are in lack of time particularly in big cities. The services offered by the organised retailers has not only taken care for this rather they have also tried that the customers do their purchasing in less time with ease and comfort. Availability of prams in bigger outlets has increased the ease in purchasing. Free alteration, free gift packaging, etc. are some of the other services which are distinctive when we compare them with the traditional retailers.

Literature Review

The emergence of retailing in India has more to do with the increasing purchasing power of the buyers, especially in the post liberalization era (Prakash, 2007). An improvement could be seen in the quality of life of urban Indian consumers. The growing affluence of the Indian middle class, a flood of imported products in the fashion and food categories, the increasing space for groceries and the emergence of a new breed of entrepreneurs are drivers of boom in retail sector of India. (Krishnan & Venkatesh, 2008). Upsurging Consumerism, changing lifestyle, increasing access to information and ever improving technology, made the last decade observe an enormous development in the retail sector around the globe (Lahiri & Samanta, 2010). Customers receive relational benefits from service relationships (Gwinner, Gremler, & Bitner, 1998). Good service and good selling help in retaining, enhancing and cementing relationship resulting in relationship management which finally leads to competitive advantage for the firm (Kar & Nanda, 2011).

Good Customer Service attracts more customers and increases consumer satisfaction (C & Hariharan, 2008). Organised retailer should implement various value-added services to provide pleasant shopping experiences to consumers (Ramanathan & Hari, 2011). The authors indicate that alert staff helps in building this relationship by being courteous and giving personal attention to the customers. More than 60 percent of the customers perceive that customer service to be good in the organised retail outlets (Dalwadi, Rathod, & Patel, 2010). CRM practices have gained attention from both academics and practitioners in the recent years due to the intense competition in the retail market. The product-centric business has transformed into a customer-centric business in this intense competitive environment (Prasad & Aryasri, 2008). Regular entry of new retailers could be seen with new formats. The present models which are successful highly in certain parts of the country are only moderately successful in other areas. Better services are used as one of the important driver to bridge this gap (Krishnan & Venkatesh, 2008). Organised retailers have tried to meet the expectations of the customers by providing superior products and services.

Billing system acts as one of the important determinants for preference of Mega Marts (Sonia, 2008). Use of optical scanners at billing counters has made the billing process faster. This has facilitated in completing the purchasing exercise faster for the customers in today's busy life. They have used the services not only to differentiate but also to add value in the shopping experience of the customers. Fast processing is welcomed and appreciated by the modern housewives (Krishnan & Venkatesh, 2008). Old customers enjoy interactions and prefer those retail stores where they receive special assistance services like valet parking, carry-out assistance and delivery assistance (Das, 2011). Technology would be the primary driver in future for differentiating services. Application of technology will revamp the stores and the shopping experience for the customers (Misra & Khan, 2008). To date there is a lack of studies that examine the various aspects of service that are important for customer retention (Zeithmal, 2000). Since still there is lack of studies justifying the role of services, more work is required to be carried out in this direction.

Research Methodology

This study tries to assess the importance of service in attracting and increasing customers for the organised retail outlets in Jharkhand. The present study was carried out using stratified purposive sampling. Questionnaires were distributed to 550 people in the districts of Ranchi, Dhanbad and Jamshedpur of Jharkhand. A total of 465 filled questionnaires were received. A five point likert scale was used in the questionnaire to know the ratings of the respondents. Seven statements have been considered to represent Services in this study. The various services variables focussed in the study are - the billing procedures are faster, customer relationship management practices are good, free gift packaging facility, free alteration, child care facility, exchange facility, and personal attention to customers.

The respondents had varied preferences regarding the customer services offered by the organised retailers. SPSS 17 was applied to analyse the data collected for the study. It identified the relative impact levels and the KMO and Bartlett's test of Sphericity. Communality method of principal Component Extraction was done to identify the key factors contributing to the effectiveness of organised retail. Expert's opinion was also taken in the designing of questionnaire.

Discussion of Research Findings

Table 1 presents the percentage of responses on all the 7 statements representing service. Customers have indicated that all the seven service variables are important and have shown their preference. Child care facility has not received a good response because it is not available at all the retail outlets. But this service variable has received a substantial response which indicates it as an important. Child care facility can act as a distinguishing service variable which adds comfort to the purchasing so it needs to be improved to increase the customer satisfaction.

Cronbach's Alpha: A value of 0.628 for Croanbach Alpha indicates the reliability of the construct.

KMO Measure of Sampling Adequacy: As the KMO test value is 0.646 which is more than 0.5 it indicates that we can go for factor analysis.

Bartlett's Test of Sphericity: Since the Chi-Square value is higher, i.e. - 379.729 and significance level is 0.000 it means we can definitely go for factor analysis.

Table 4 shows the 7 variable which are representing the different services offered to consumers. These 7 variables were put for factor analysis and have resulted into extraction of two factors. The first factor consists of 4variables and has been named as 'Basic Services' and the second factor consists of 3 variables and has been named as 'Extra Services'. The extracted factors support the researches done in past. This justifies the contributions of the earlier researches which say that service is one of the important determinants in the success of organised retail. Previous studies by Gwinner, Gremler, & Bitner (1998), Prasad & Aryasri (2007), C & Hariharan (2008), Dalwdi, Rathore, & Patel (2010), Karadeniz (2010), Kar & Nanda (2011), Ramanathan & Hari (2011), support this view. Let us have a brief look on the extracted factors.

Basic Services: This has emerged as the dominant factor in case of services. It contains the variables which are definitely demanded by customers. Most of the customers feel that Customer Relationship Management practices are good but because of the regular inflow of new schemes floated by new and existing players the updating and upgradation in Customer Relationship Management practices are constantly desired. Customers feel that the billing procedures are not fast although application of technology is used by organised retailers in the billing process. It signifies that organised retailers need to improve on this service variable if they want to use it as a differentiated service over traditional retailers. The efforts of the staff have been appreciated as a service element by the respondents which convey a positive feeling towards organised retailers and would ensure a promising future for them. The Exchange facility provided by the organised retailers is a very important service feature in terms of the value it holds in the minds of the customers. A time period is specified in the bill provided to the customers during which they can come and exchange their products.

Extra Services: The service variables representing this factor are not provided by all retailers. Unorganised retailers generally do not provide them and is also not available with all organised retailers. Free gift packaging if provided by all the organised retailers would act as a service element to bring more customers. This is already

acting as a positive element for those who are providing it. Free Alteration is provided by almost all organised retailers but by only few unorganised retailers provide it. It has created a positive impact as a service element. In cases where customers are purchasing during vacations or outside their home town it has emerged important because in lack of time they could get their products altered in the showrooms of the same company in any city of India. Child care facility is a distinguishing service feature provided by the organised retailers which has added value in their service basket and also made the purchasing comfortable for the customers. Availability of prams in retail outlets, proper washroom facility especially for small kids, etc. are a part of this. It should be treated as an important element of service for increasing the customer base

Conclusions

Need for good service as an important factor in increasing and attracting customers to the organised retail outlets cannot be negated and the same has been seen expressed by the respondents in this study. A good service has its own benefits for any business be it a retail business or any other. Factor analysis applied to the service variables has grouped the seven variables into two factors. These factors have been named as 'BASIC SERVICES' and 'EXTRA SERVICES'.

Recommendations

Based on the results of the present research the following recommendations could be made:

- Service is an important factor which influences the purchase from organised retail outlets. In this changing environment having a uniform service strategy throughout the stores in India would not be possible so organised retailers should try to customise their services to the local needs which are unique. This could be achieved by developing a deeper insight about consumer preferences.
- Out of the two factors extracted the factor 'Basic Services' has emerged as the dominant factor but the second factor 'Extra Services' also needs reasonable attention by the organised retailers to be successful.

Limitations

As all studies have suffers limitations the present study also has certain limitations. This analysis is based on the questionnaires which were filled by respondents in Jharkhand only. A bigger sample and broader market coverage would help in generalising the results for the whole of India.

Appendix

Table 1: Percentage response on Statements/Variables

Statements/ Variables	Strongly Agree	Agree	Not Known	Disagree	Strongly Disagree
The billing procedures are faster	12.1%	42.3%	3.5%	36.3%	5.7%
Customer Relationship Management practices are good	7.0%	63.2%	13.9%	13.9%	2.0%
Personal Attention to customer	13.2%	42.7%	13.7%	26.9%	3.5%
Exchange facility	16.3%	54.4%	16.3%	11.9%	1.1%
Free Gift Packaging	7.5%	35.5%	16.7%	33.3%	7.0%
Free Alteration	10.4%	58.4%	14.8%	13.0%	3.5%
Child care facility	6.2%	22.3%	25.1%	35.7%	10.8%

Table 2: Case Processing Summary

		N	%
Cases	Valid	465	100.0
	Excluded	0	0.0
	Total	465	100.0

Table 3: Reliability Statistics

Cronbach's Alpha	N of Items
0.628	7

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.646
Bartlett's Test of Sphericity	!pprox. Chi -Square	379.729
	Df	464
	Sig.	0.000

Table 4: Rotated Component Matrices of 7 Variables

Statements/ Variables	Components (Loading Criteria>0.4)	
	1	2
Personal Attention to Customers	0.483	
Customer Relationship Practices are good	0.769	
Exchange Facility	0.674	
The billing procedures are faster	0.510	
Child Care facility		0.568
Free Alteration		0.687
Free Gift Packaging Facility		0.846

Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization; a. Rotation Converged in 3 Iterations.

Table 5: Naming of the extracted Factors (Loading Criteria>0.4)

Factor No.	Statements/ Variables	Factor Loading	Naming of Factors
1	Personal Attention to Customers	0.483	**Basic Services**
	Customer Relationship Management Practices are good	0.769	
	Exchange Facility	0.674	
	The billing procedures are faster	0.510	
2	Child Care facility	0.568	**Extra Services**
	Free Alteration	0.687	
	Free Gift Packaging Facility	0.846	

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