

# SERVICE QUALITY IN CONVENIENCE STORES: A PREDICTOR OF CUSTOMER SATISFACTION

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## ABSTRACT

Organized Retail Industry is one of the most growing industries in India and was forecasted to grow by 31% in the year 2018. It is expected to grow to USD 1200 billion by the year 2021. India is ranked as fifth most preferred destination in retail sector which gives an edge to different companies in the retail chain. Convenience stores contribute a major part in the retail sector and will continue to be the important part in the years to come. According to BCG's latest survey it has been found that from 2009 to 2017 convenience stores captured the large share in the retail market and also grew at exceptionally faster than other type of retail stores. In this study, Odoor, Reliance, Supermarket, Aapurti stores are selected and determined the service quality and its impact on customer satisfaction. The objective of this study is to examine the impact of service quality (tangibility, reliability, assurance, empathy, responsiveness) on customer satisfaction and for these total 90 customers is selected from the selected convenience stores in Indore city. Through the application of regression, hypothesis was tested and found that the customers are satisfied with the service quality provided in convenience stores.

**Keyword :-** Tangibility, Reliability, Assurance, Empathy, Responsiveness, Customer Satisfaction.

## 1. Introduction

**“Your most unhappy customers are your greatest source of learning.” -Bill Gates**

Convenience stores or c-stores are nothing but the medium sized markets having variety of items in comparatively smaller quantities also known as supermarkets. They can easily be found at street corners just like the Kirana stores or by some fuel refilling station or at any busy intersections in the community. They have appreciable range of items that are frequently required by the customers like groceries, confectioneries, snacks, beverages, toiletries etc. They generally remain open for longer time period and in some areas they operate 24/7. Customers prefer to make trip to these types of stores when they are in need of multiple items of different variety and those can't be found at unorganized store. Convenience store provides customers with a good service and comfort place to shop.

### 1.1 Factors Affecting Convenience Stores

**Location:** The concept of convenience stores has been developed keeping in mind its easy access to the customers of the particular area where it has been located. The proximity to the local people matters the most as they prefer organized formats which offer number of facilities and products of almost all brands, so if they are not close enough to the residing area of the customers, they would not gain as much as profit and popularity as they are getting now.

**Loyalty:** As quoted by Henry Ford- “Business must be run at a profit, else it will die. But when anyone tries to run a business solely for profit... then the business must die as well, for it no longer has a reason for existence. Loyalty towards customers is another important attribute that affects the business of the convenience stores and helps in the survival of the stores in the furious competition. Increase of the loyal customers proportionately improves the market position, profits, shares etc. For any convenience store there are four sub factors of customer loyalty that surrounds it like complaint handling, service quality, customer satisfaction and store image.

**Promotional Offers:** On the festive seasons, consumers are provided promotional offers at very lucrative prices, this gives the opportunity to consumers for impulsive buying. Even if they do not require the things but they are forced to purchase.

**Payment facility:** In convenience stores, consumers get payment facility in any mode so even they are cashless, they can easily clear their payments. The transactions is very safe and secure so they do not worry about payment.

**Exchange Policy:** The exchange policy attracts a large number of consumers as if they receive any faults in products, immediately convenience stores are ready to exchange. The exchange policy is very easy and your complaints regarding products are easily handled.

**Price:** In the convenience stores, consumers get the products at affordable prices and these prices are competitive so consumers can compare, this resulted into huge purchasing.

## 1.2 Quality of Service

Quality service has been given a lot prominence as a major ingredient of customer retention. In order to provide quality service the convenience stores should first of all understand customers and their expectations. Quality consists of a number of dimensions, which were categorized for services into five dimensions by Parasuraman et al (1988) within the SERVQUAL measurement instrument. The primary purpose of quality service to customers is to achieve a broad customer base, loyalty and retention. This means that the convenience stores must to strive to be efficient and be able to provide competitive services in order to meet customers' satisfaction and customers' perception of value.

Customers are valuable asset that must be properly kept satisfied. Customer satisfaction is an emerging issue for the organizations today especially the firms that are operating beyond the boundaries. If the service delivery fall short of customer expectation it will result into disappointed customer. The satisfied customers actually are the assets of company as they remain loyal for long terms and give long term benefits to organization. They will perform their duties more efficiently and they will be more focused on their job causing their customers to be more satisfied in return.

Customer satisfaction has been a game changer for convenience stores that work on business to consumer model in this highly competitive market where there is cut throat competition with respect to every product no matter what the product is. The organized convenience stores are all set to become the next boom industry in the upcoming years. As the per capita

income is increasing so as the consumer spending budget which gives a boost to remain in the market for the longer time period. Service quality is defined as comparison of perceived expectations with the perceived performance. Service quality impacts the customers at different levels depending on the factors like tangibility, reliability, responsiveness, assurance, empathy etc.

## 2. Rationale of the Study

In this study convenience store refers to that store which is organized and where consumers get all the products under one roof and provided in terms of price, quality, after sales services, return policy, offers/discounts etc. In every locality there is a supermarket either they run by individual name or under the brand such as; Reliance, Ondoor etc. In this study these three types of stores are selected which are convenient for customers. These convenience stores have segmented a larger number of customers and positioning its image effectively in the market. These stores are the expansion of Neighbourhood Kirana Shop. The purpose of this study is to choose the convenience stores because today customers want to purchase from one place where they perceive all the displayed products in organized way. The study has examined the impact of service quality on customer satisfaction.

The parameters of service quality have been measured under five dimensions:

**Tangibles** - physical facilities, equipment, staff appearance, etc.

**Reliability** - ability to perform service efficiently and accurately

**Responsiveness** - willingness to help and respond to customer need

**Assurance** - ability of staff to inspire confidence and trust

**Empathy** - the extent to which caring individualized service is given

### 3. Literature Review

**Suliman (2013)** in his study explained about the basic dimensions of the SERVQUAL model and its impact on the level of customer satisfaction found that there is an impact of the basic dimensions of the SERVQUAL model on the level of customer satisfaction at different levels. The study recommended the need for continuous improvement of services provided to customers through consumer behavior studies and work to predict customer expectations to ensure the provision of better services.

**Ghafoor Awan and Rehman (2014)** addressed Customer satisfaction and brand loyalty as marketing goals for many companies. This study investigated the impact of customer satisfaction on brand loyalty for durable goods. The results showed that the customer satisfaction has significant factor that affect brand loyalty. The results, evoked from this study indicated that companies striving for brand loyalty should focus on customer satisfaction and performance of brand.

**Dheeraj Sharma (2014)** explored perceptions of service quality in the convenience store (c-store) industry. The study applied the extant SERVQUAL models in a c-store context. The study examined the reliability and validity of the service quality measure in a c-store context and additionally, models the implication of perceived service quality on customer satisfaction and patronage intentions in c-store context. Additionally, this study examined which dimensions of service quality are most important in c-store context. The results suggested that perceived service quality positively influences customer satisfaction and patronage intentions in the convenience store industry. Further, availability of merchandise and courtesy are strongest determinants of patronage intentions and customer satisfaction.

**Jayasubramanian (2015)** found that majority of the customers agreed with the easy to choose and make comparisons with other products in convenience stores. They also satisfied with other products in convenience stores with regard to service quality. They also satisfied with the quality of information about the products they receive. Regarding ranked by the customers, the study found that convenience is given first rank followed by time saving, attractive offers, product delivery, return policies, security, mode of payment and personal information privacy. All these dimensions have significant impact on customer satisfaction towards convenience retail formats.

**Ali and Sankaran (2016)** analyzed the customer satisfaction and loyalty of the online customers. The study has discussed briefly about the effects of customer loyalty and retention on customer satisfaction. The results of the survey revealed that while a good percentage of Norwegians are satisfied with online shopping only less than half of them stay loyal to their online sellers.

**Jantan and Kamaruddin (2017)** examined image attributes such as locations, merchandise, price, physical facilities, promotions and advertising, store atmosphere and service of store which influences shopping behavior of Malaysian consumers. Their findings suggested that location and service have a strong impact on the patronage behavior. Store image in the sense of the store as a brand is usually measured as consumers' perception on store performance. This choice is based on the notion of value percept diversity, i.e. customers are likely to be more satisfied with the offering as the ability of the offering to provide consumers what they need, want or desire increases relative to the cost incurred.

**Saad and Wahid (2017)** analysed the development of convenience store in Petrol Station has seen a dramatic change where all players has now move towards a standardized image to reflect their seriousness in expanding their retails business apart from distribution of petroleum products. This study is unique in the attempt to understand the intricate relationships between store image, corporate image on customer satisfaction.

**Sunattha Krudthong (2017)** aimed to identify the gaps or discrepancies between the store formats and the customer's perspectives of service importance and service performance satisfaction through the analysis of Service Quality Gap Model. The theory suggests that 5 gaps of service quality; the knowledge gap, the standards gap, the delivery gap, the communication gap and the service gap, should be identified to investigate the service inefficiency. The result showed that a number of gaps occur between store formats and customers are slightly found.

**Rastogi (2017)** studied the key factors that influence buying behavior of consumers and their level of satisfaction with purchasing of apparels from organized retail formats. Based on his study involving survey on 200 respondents, the author found out that customers perceive shopping from organized retail formats to be convenient, more economic and offers more variety than shopping unorganized retail formats. The author also reported that male customers have more positive perception of shopping of apparels from organized retail formats.

**Arisha Fatima Rizvi & Almas Sabir (2018)** in their study focused on customer satisfaction which has been a subject of great interest in order to maximize the profit levels of the organizations. The quality of service provided by the organizations has become an important aspect of customer satisfaction. The study has examined the relationship between customer satisfaction and service quality in retail sectors with respect to the service quality dimensions with special reference to the hypermarkets in the Kingdom of Saudi Arabia (KSA).

**Hamza and Saidalavi (2018)** have explored the influences of benefits perceived in online shopping such as; price, convenience and wide choice among options towards customer satisfaction. The result showed that Indian customer is satisfied by the factors of convenience, wide range of products and low price. In this study, customers are significantly influenced by aforesaid parameters. This study has presented the model that would be referable for online retailers.

#### 4. Research Gap

The literature review is a significant step in each and every research process. Review of earlier studies discloses the works and studies done by individual researchers and institutions help to establish further the need for the study. The researcher has reviewed more than 40 studies which include Indian journals and international journals were collected. The review of related literature regarding the customer satisfaction in terms of service quality at convenience stores are analysed from different sources. From the analysis of the review of literature, it is found that all the studies have attempted to examine the customer satisfaction with the service quality provided by the convenience stores categorised into various attributes such as empathy, physical appearance, assurance, reliability and tangibility. But no attempts have been made in the previous studies to examine the attributes of service quality and also the factors associated with the customer satisfaction so this study has focused on such aspects. This is the reason and logic that this topic has been selected to know the customer satisfaction in terms of service quality at convenience stores.

#### 5. Objectives of the Study

1. To examine the impact of service quality on customer satisfaction.
2. To suggest convenience stores for improvements.

#### 6. Research Methodology

**Research Design:** In this study the research design is descriptive as those variables are studied which have an existence in the environment.

**Sample Size:** Total 90 consumers are selected from various demographics.

**Sample Area:** The Convenience Stores: Ondoor, reliance, Supermarket situated in Indore is selected as a sample area.

**Sampling Method:** Judgmental sampling is chosen as those consumers are selected who have purchased from the selected convenience stores.

**Instrument Scale:** The scale is taken from the instrument developed by Parasuraman et al (1988) on service quality consisted of 22 items and for the customer satisfaction by Lee and Joshi (2006) developed scale on customer satisfaction is consisted of 8 items.

**Data Statistical Tools:** Multiple Regressions (Step wise) was applied in order to determine the impact of service quality on customer satisfaction in convenience stores.

#### 7. Findings & Discussions

##### Reliability Test on Service Quality

**Table 1: Reliability Statistics on Service Quality**

Cronbach's Alpha	N of Items
.858	22

The above table shows the reliability of service quality in convenience stores is .858 for 22 items so it means that 85.8 per cent scale is reliable.

**Table 2: Reliability Statistics on Customer Satisfaction**

Cronbach's Alpha	N of Items
.811	8



The above table shows the reliability of customer satisfaction with convenience stores is .811 for 08 items so it means that 81.1 per cent scale is reliable.

H<sub>01</sub>: There is no significant impact of Service Quality (tangibility, reliability, responsiveness, assurance and empathy) on customer satisfaction with the convenience stores.

**Table 3: Correlations**

	CS	TN	RL	RES	AS	EM
Pearson Correlation	1.000	.274	.118	.481	.442	.438
	.074	1.000	.420	.266	.235	.172
	.118	.420	1.000	.280	.194	.305
	.481	.266	.280	1.000	.477	.603
	.442	.235	.194	.477	1.000	.722
	.438	.172	.305	.603	.722	1.000

The table shows the correlation of independent variables of service quality with customer satisfaction: the value of correlation is .274 between tangibility and customer satisfaction, the value of correlation is .118 between reliability and customer satisfaction, the value of correlation is .481 between responsiveness and customer satisfaction, the value of correlation is .442 between assurance and customer satisfaction and the last value of correlation is .438 between empathy and customer satisfaction. All the value of correlation are significant.

**Table 4: Model Summary<sup>c</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.481 <sup>a</sup>	.231	.222	4.66628	.231	26.469	1	88	.000	
2	.539 <sup>b</sup>	.290	.274	4.51008	.059	7.201	1	87	.009	1.666

- a. Predictors: (Constant), responsiveness
- b. Predictors: (Constant), responsiveness, assurance
- c. Dependent Variable: customer satisfaction

The Model summary shows two Models in which all the five service quality are combined into two factors that constituted two models, one is responsiveness and the second one is assurance. Hence, it is stated that the R value is .481 if responsiveness and .231 variance is explained in the customer satisfaction by responsiveness and the assurance has R=.539 so .290 variance is explained in the customer satisfaction by assurance. The regressions of these two factors are significant at .000. The value of Durbin Watson shows that the variables are auto correlated as it has more than 1.

**Table 5: ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	576.331	1	576.331	26.469	.000 <sup>b</sup>
	Residual	1916.125	88	21.774		
	Total	2492.456	89			
2	Regression	722.804	2	361.402	17.767	.000 <sup>c</sup>
	Residual	1769.652	87	20.341		
	Total	2492.456	89			

- a. Dependent Variable: customer satisfaction
- b. Predictors: (Constant), responsiveness
- c. Predictors: (Constant), responsiveness, assurance

The ANOVA table shows the model of fit so in both factors responsiveness and assurance, the value of F is significant at .000. For responsiveness, the value of F is 26.469 at  $.000 < 0.05$  and for the assurance, the value of F is 17.767 at  $.000 < 0.05$ . So it is concluded that the null hypothesis 'There is no significant impact of Service Quality (tangibility, reliability, responsiveness, assurance and empathy) on customer satisfaction with the convenience stores' is rejected. Therefore, it is indicated that Service Quality (tangibility, reliability, responsiveness, assurance and empathy) have positive impact on customer satisfaction.

**Table 6: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	18.256	2.244		8.134	.000	13.796	22.716
	RES	.785	.153	.481	5.145	.000	.482	1.089
2	(Constant)	14.573	2.567		5.677	.000	9.470	19.675
	RES	.571	.168	.349	3.398	.001	.237	.904
	AS	.472	.176	.276	2.683	.009	.123	.822

a. Dependent Variable: customer satisfaction

The coefficient table depicts the mean of two groups and it is significant at .000 and also stated that if one unit is increased then .349 is increased in responsiveness and .276 unit is increased in assurance. The equation is mentioned:

$$Y (14.573) = X_1(.571) + X_2 (.472)$$

## 8. Suggestions

On the basis of findings, some suggestions are given:

- ❖ The physical facilities provided by the convenience stores would be appealing to the customers.
- ❖ Convenience stores will fulfill their promises regarding offers and discounts; it should be given to the customers at the time of purchasing.
- ❖ Error free record should be maintained.
- ❖ As per the needs of customers, products should be arranged and be sure about the availability of the products.
- ❖ Convenience stores should provide trust to the customers with regard to safety, further, the retail outlets must show empathy to customers.
- ❖ The convenience stores must concentrate on providing customer friendly information to the queries and problems of customers.
- ❖ With regard to responsive dimension, the convenience stores must train the employees to be more accountable for giving information about the services that can be performed to the customers.

## 9. CONCLUSIONS

**“Quality is not an act, it is a habit”. Aristotle**

In this study the service quality factors are focused in the convenience stores and it was found that two most important parameters of service quality are responsiveness and assurance which have positive impact on customer satisfaction. Customers want the prompt response and require assurance from the managers regarding quality and this would motivate them for repeatedly purchasing from the same convenience stores.

The study found that employees of convenience stores are always helpful and are very attentive in finding out the products. It is also found that customers are satisfied with the confidence level of employees and their knowledge level and that would be resulting into favourable opinion of the customers. This would impel the convenience stores to retain their customers.

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