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IMPACT OF ORGANIZED RETAIL ON THE PURCHASE OF FRESH FOOD ITEMS: A COMPARATIVE ANALYSIS OF ORGANIZED AND UNORGANIZED RETAIL

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Abstract

Competitiveness and search for profits have called more attention towards customer satisfaction and increased researcher's interest on the topic of service quality. In this context, this research paper applies SERVQUAL for assessing service quality in a retail industry. The main objective is to assess quality service dimensions that are hindering the growth of organized retailing of fresh food items in India. This work was performed in two hundred shops, including Subhiksha outlets, located throughout the NCR in the month of July-august 2008. A questionnaire was developed based on the service quality dimensions, the customers for gathering data from which results was analyzed. The results of this study show the tangible, empathy, responsiveness and assurance quality dimensions and characteristics that call customer attention.

INTRODUCTION

Since the 90's many service companies have pursued to enhance their performance and effectiveness in search of achieving differentiation in the market. An example of that is the attempt to convince customers that their quality is superior to the competitors. In addition, the importance of service sector has sharply increased at both developed and developing countries. Over 75% of all US jobs now reside in services industries. Further, the services sector generates over 85% of all new jobs and 66% of the GNP of the US. In developing countries

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like Brazil, where this work was developed; services correspond to 54.5% of the GNP (Cauchick, Miguel and Salomi, 2004). Service quality is one of the major issues facing operations managers (Gupta and Chen, 1995) but it is an area characterized by debate concerning the need for assessing customer perception regarding purchase of fresh food items and service quality assessment.

In this sense, the objective is to identify which quality dimensions are most important to customers of a retail industry. In addition, it also assesses the service that is delivered to them.

It also assesses the factors which prove to be hindrances to the organized retail sector, with respect to fresh food items.

As per ICRIER's recent study, the real GDP is expected to grow at 8-10 per cent per annum in the next five years.

As a result, the consuming class with annual household incomes above Rs90, 000 is expected to rise from about 370 million in 2006-07 to 620 million in 2011-12. Consequently, the retail business in India is estimated to grow at 13 per cent annually from US$ 322 billion in 2006-07 to US$ 590 billion in 2011-12.

FOOD RETAILING

India has been rather slow in joining the Organized Retail Revolution that was rapidly transforming the economies in the other Asian Tigers. Though with a population of a billion and a middle class population of over 400 millions organized retailing (in the form of food retail chains) is still in its beginning in the Country.

This was largely due to the excellent food retailing system that was established by the neighborhood Kirana (Khandani traditional business) stores that continue meeting with all the requirements of daily needs without the convenience of the shopping as provided by the retail chains; and also due to the highly fragmented food supply chain that is cloaked with several intermediaries (from farm-processor-distributor-retailer) resulting in huge value loss and high costs. This, supplemented with lack of developed food processing industry, kept the organized chains out of the market place. The Indian food retail market is characterized by several co-existing types and formats.

These are:

Current Kirana Stores and Hawkers

1. The road side hawkers and the mobile (pushcart thela variety) retailers.
2. The *kirana* stores (the Indian equivalent of the mom-and-pop stores of the US), within which are:
   a. Open format more organized outlets
   b. Small to medium food retail outlets

Emerging organized retailers

Within modern trade, we have:

1. The discounter (Subhiksha, Apna Bazaar, Margin Free, Reliance Fresh)
2. The value-for-money store (Nilgiris, Big Bazar, Cooperative Stores)
3. The experience shop (Foodworld, Trinethra)
4. The home delivery (Fabmart)
5. Super stores & wide reach stores (Reliance Fresh, Spencer, Food Mart)

LITERATURE REVIEW

The models for measuring service quality are either viewed as a measure of the degree of discrepancy between consumers' perceptions and expectations (e.g. Parasuraman et al., 1985) or a tool for assessing the perceived quality (Teas, 1993). Yet, further alternative models have been offered by other authors (Cronin and Taylor, 1992; Bolton and Drew, 1991). A literature review those models can be found in Cauchick Miguel and Salomi (2004), from which the Table 1 summarizes their main characteristics.

RESEARCH DESIGN

Research Model Base

SERVQUAL (Refer to Fig: 1) was adopted as the instrument to assess service quality according to the literature (Parasuraman et al., 1985; 1988). Although there is no consensus in the literature of which instrument is most effective, SERVQUAL was chosen because it was tested in a similar work conducted by

Table 1 - Proposed models for measuring service quality (adapted from Cauchick Miguel and Salomi, 2004).

Author	Model	Main Characteristics	Application
Grönroos (1984)	There is no mathematical representation	Quality is a function of expectations, outcome and image	Different types of services
Parasuraman et al. (1985,1988)	*SERVQUAL* Qi = Pi-Ei (Service Quality=Perceived Service*Expected Service) Refer to Fig 1.	22-item scale using 5 quality dimensions	Different types of services
Brown and Swartz (1989)	Qi = Ei-Di	Use 10 quality dimensions defined by Parasuraman et al. (1985)	Medical surgery
Bolton and Drew (1991)	Assessment model of service and value. There are many equations representing the model	Use four dimensions developed by Parasuraman et al (1988) and introduce the concept of value for quality assessment	Telephone services
Cronin and Taylor (1992)	*SERVPERF* Qi = Pi	Use 5 quality dimensions defined by Parasuraman et al. (1988)	Different types of services

AL or GAP Model of PZB

Zeithaml et al. (1990) and it is useful to provide evidence of service quality for further service operation improvement (Page Jr. and Spreng, 2002).

The above original model computes the 5 gaps between different service levels.

The methodology was originally based around 5 key dimensions:

1. **Tangibles**: Appearance of physical facilities, equipment, personnel, and communication materials.
2. **Reliability**: Ability to perform the promised service dependably and accurately.
3. **Responsiveness**: Willingness to help customers and provide prompt service.
4. **Assurance**: Knowledge and courtesy of employees and their ability to convey trust and confidence.
5. **Empathy**: The firm provides care and individualized attention to its customers.

There are five major gaps in the service quality concept, which are shown in Figure 1. The model is of Parasuraman et al. (1985).

- **Gap1**: Customers' expectations versus management perceptions.
- **Gap2**: Management perceptions versus service specifications
- **Gap3**: Service specifications versus service delivery
- **Gap4**: Service delivery versus external communication
- **Gap5**: The discrepancy between customer expectations and their perceptions of the service delivered.

RESEARCH METHODOLOGY

The research was conducted in Subhiksha outlets and local vendors and shopkeepers which included one hundred shops located in NCR.

The number of respondents for this study is 100. The sample units of this study are the consumers of Subhiksha and local vendors, with respect to fresh food items only. The sampling area for the study is Delhi, NCR. A random convenient sampling technique was employed.

The consumer side of the SERVQUAL was modified to fit in with the research. The service quality of the Organised vs. Unorganised Retailing of Fresh food item was compared.

The SERVQUAL values for the four dimensions were obtained by average the respondents' scores. This overall measure, however, does not take into account the relative importance of the various dimensions to the customer. The overall weighted SERVQUAL score taking into account the relative importance of the dimensions is summarized and tabulated in Table 2. This shows the overall organized retailing score of the customer is 12.404. The overall unorganized retailing score of the customer is 12.451.

Table 2: Weighted organized and unorganized Scores

SERVQUAL Score		Organized Mean	Unorganized Mean	Organized Variance	Unorganized Variance
Weighted	Tangible	2.87	3.276	0.748	0.994
	Empathy	2.945	3.41	0.991	1.217
	Assurance	3.212	2.735	1.011	1.193
	Responsiveness	3.377	3.03	1.21	1.351
	Overall	12.404	12.451	3.96	4.755

The data were collected using SERVQUAL from the 100 sample for both the expectation & perception regarding retail industry using 5- point scale with 1 (strongly agree) & 5 (strongly disagree). The average mean score for 4 dimensions & 20 statements of the expectation & perception is shown in table 13. The average organized & unorganized score for tangible was found to be 2.66 & 2.68 respectively. Then the service quality gap was found for each dimension & along 20 statements using basic gap model without considering the weight age of each dimensions as shown in table 3. So, the service quality gap of service dimension Tangible will be -0.3(2.61-2.91). Similarly the gap was found for each dimension & 20 statements.

The Table 3 shows the gap for the 4 dimensions i.e. **Tangible (-0.03), Empathy (-0.282), Assurance (0.62), and Responsiveness (0.47)** along with the gaps of each attribute.

Table 3: Gap and Significance of service quality dimensions

S. No.	Dimensions	O	U	Mean (O)	Mean (U)	Gap (O-U)	Sig. (2-Tailed T-Test)	Diff
	TANGIBLE			2.61	2.91	-0.30		
1.	Physical facilities of the outlet are appealing	O1	U1	1.94	3.11	-1.17	0.000	S
2.	Outlet is accessible	O2	U2	2.91	1.78	1.13	0.000	S
3.	Presentation of merchandize is excellent	O3	U3	2.22	3.02	-0.80	0.000	S
4.	Employees are well dressed	O4	U4	2.33	3.12	-0.79	0.000	S
5.	Fruits, Vegetables and meat products are Fresh	O5	U5	2.11	2.63	-0.52	0.000	S
6.	Outlet/ Vendor accepts bargaining on fresh food items	O6	U6	4.52	1.8	2.72	0.000	S
7.	Outlet/ Shop layout makes it easy to move around	O7	U7	2.19	3.53	-1.34	0.000	S
8.	Employees/ Vendors are neat and tidy in appearance	O8	U8	2.13	3.07	-0.94	0.000	S
9.	Special facilities for handicap people	O9	U9	3.15	4.14	-0.99	0.000	S
	EMPATHY			2.625	2.907	-0.282		
10.	Staff/Local vendor is polite	O10	U10	2.09	2.51	-0.42	0.000	S
11.	Employee/Local Vendor responds to my request	O11	U11	2.72	2.11	0.61	0.000	S
12.	Employees/ Local Vendors give a pleasant parting remark	O12	U12	2.33	3.58	-1.25	0.000	S
13.	Employee offer personal attention	O13	U13	3.36	3.43	-0.07	0.590	NS
	ASSURANCE			2.86	2.24	0.62		
14.	Employees/ Local vendor doesn't understands my specific needs	O14	U14	2.84	1.87	0.97	0.000	S
15.	Outlet/Local vendor provides better quality	O15	U15	2.74	2.53	0.21	0.071	NS
16.	Goodwill of the Outlet/ Shop	O16	U16	3.70	1.97	1.73	0.000	S
17.	Behavior of the employees/ vendor develop confidence	O17	U17	2.17	2.60	-0.43	0.000	S
	RESPONSIVENESS			2.89	2.42	0.47		
18.	Receive personal attention	O18	U18	2.64	2.57	0.07	0.590	NS
19.	Depend on the employees/ local vendors	O19	U19	2.77	2.53	0.24	0.02	S
20.	Employees at the store/local vendors pressurize customer for purchase	O20	U20	3.27	2.17	1.10	0.000	S

O –Organized U – Unorganized S= Significant difference. NS= Non- Significant difference

FINDINGS

- Majority of the organized retail outlets of fresh food items are not easily accessible and customers prefer to go to local vendors for small purchases and sometimes even for the bigger purchases.
- Presentation of merchandise in an attractive way gives organized retailer an upper hand, as the study indicates that this factor plays an important role in the purchase decision of any consumer.
- Bargaining is an important factor for Indian consumers. Even though organized retail outlets provide these items in less price tan local vendors, still the lack of bargaining does affect the organized retail.
- Goodwill of the conventional shopkeepers and local vendors also plays an important part. Especially in the mind of the older generation, this factor is a basis of purchase decision of fresh food items.
- Instead of buying good quality meat products from Subhiksha, consumers still prefer the local chop shops. Markets like, Indra market etc of Delhi are examples of these.

The earlier original SERVQUAL Model, accesses the gap in the perceived and expected level of services from the consumer's point. The model was modified (Refer to Fig: 2) to suit this research. Perceived and Expected services were replaced by Organized and Unorganized retailing of Fresh food items. The gap calculated can be instrumental in providing data to the organized retail service provider to review those factors of organized retail which are weak in comparison to the unorganized retailing of Fresh food items.

CONCLUSION

The gap model provides a good starting point for the analysis/ modification in terms of other approaches. In gap model, problem with average approach to aggregate service quality measure arise when gaps have different signs. Gap model also helps us to identify which dimension & factor is more important for the retail & where to take corrective action to improve the service quality.

The study reveals that in the two dimensions i.e. **tangible and empathy**, organized retailing has an upper hand and is providing better service, but for the other two dimensions, i.e. **assurance and responsiveness,** unorganized retailing

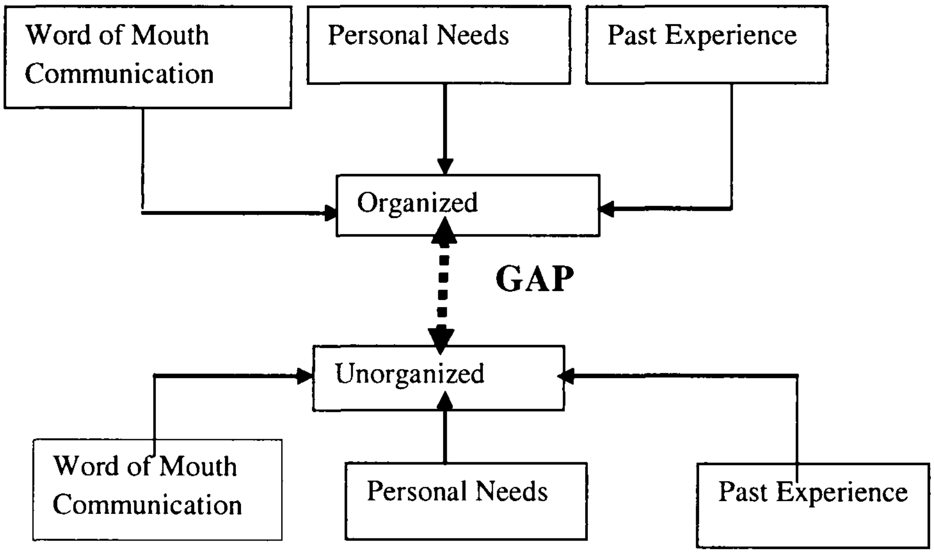

Fig 2: Modified Gap Model for Organized Retail (Based on SERVQUAL Model of PZB)

is still leading. It is important that the organized retailers come up with some alternative for bargaining, if they want to capture the Indian consumers.

Even though the organized retail has entered the Indian scenario with a bang, still as far as the purchase of fresh food items, Indian consumers, especially the older generation prefers the conventional local vendors, whereas the young generation is finding the new and improved retail formats more appealing.

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