

Impact of retail services on retail sales

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Keywords

Retail - Retailing - Retail Services - Customer Satisfaction

Abstract

Retailing is the set of activities that markets products or services to final consumers for their own personal or household use. Retailing does activities by organizing availability of products and services on a relatively large scale and supplying them to customers on a relatively small scale. Retail service is a series of activities designed to enhance the level of customer satisfaction i.e., the feeling that a product or service has met the customer expectation. Its importance varies by product, industry and customer; for instance, defective or broken merchandise can be exchanged. In order to find out the correlation between retail customer service and sales of the retail outlet, this study has been undertaken. The objective is to review different retail services offered by retailers in India. The study also attempts to find out customer satisfaction levels with respect to retail services and to find out impact of retail services on sales. Finally there are recommendations for better retail value added services to the customers.

Introduction

Retailing is the set of activities that markets products or services to final consumers for their own personal or household use. Retailer is a Person or Agent or Agency or Company or Organization who is instrumental in reaching the Goods or Merchandise or Services to the End User or Ultimate Consumer. Retailing makes products and services available on a relatively large scale and supplying them to customers on a relatively small scale. The word "Retail" originates from a French-Italian word 'Retailer' meaning someone who cuts off or sheds a small piece from something.

Retailing is one of the pillars of the economy in India and accounts for 35 percent of GDP. According to ETIG (Economic Times Intelligence Group) estimates, the size of the organized retail industry was about Rs. 160 billion in 2001-02. The retail industry is divided into organised and unorganised sectors. Over 12 million outlets operate in the country and only 4% of them being larger than 500 sq.ft (46 sq.m²) in size. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Most Indian shopping takes place in open markets and in millions of independent grocery shops called kirana. Organized retail such as supermarkets

accounts for just 4 percent of the market as of 2008 statistics. Regulations prevent most foreign investment in retailing. Moreover, over thirty regulations such as "signboard licenses" and "anti-hoarding measures" may have to be complied before a store can open doors. Further more, there are taxes for moving goods from one state to another state and even for movement within the state.

“Retail service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation”. Retail Service activities mainly includes providing product inform, providing information on current offers, door delivery service, after sales services like alteration of cloths, processing guaranties and warranties on consumer electronics and furniture, attending customer complaints, announcements of current offers, instant billing without waiting, parking facility for all vehicles, sales people availability in each department, availability of all required products, providing exchange facility on some goods etc.

Need for the Study

Retailing is the most active and attractive sector from the last decade. While the retailing industry itself has been present since ages in our country, it is only in the recent past that it has witnessed so much of dynamism. The emergence of retailing in India has more to do with the increasing purchasing power of buyers, especially in the post-liberalization era. Increase in product variety and increase in economies of scale with the aid of modern supply and distributions solution gave way for these new trends. Indian retailing today is at an interesting crossroads. The retail sales are at the highest point in history and new technologies are improving retail productivity. Though there are many opportunities to start a new retail business, retailers are facing numerous challenges. The biggest challenge is how to retain the current customer and how to gain a new one. Retail services can answer many questions by providing the value added services to the core products or services that are there in the outlet. Hence it is proposed to study the impact of retail services on the retail sales.

Objectives of the study

The objective of this study is to review different retail services offered by the retailers in India. This study attempts to find out customer satisfaction levels with respect to retail services and also finds out impact of retail services on sales of the retail outlet. Finally offering suggestions to provide better retail services to customers and thereby increase sales.

Methodology of the study

A structured questionnaire has been designed to collect the data from a sample of 300 customers in the city of Hyderabad usually referred as mini-India which reflects the citizens from all states in India also consisting of all religions, different social castes. The primacy data was collected from customers of small, medium and corporate retail outlets in the city. The secondary data was collected from various in-house magazines of corporate outlets, retail journals, marketing journals etc. The Statistical tools like simple average method, percentage method, weighted average method etc were used to analyse the response.

Profile of the Study Area

Hyderabad is the fifth largest metropolis in Indian and is the capital city of the state Andhra Pradesh, India. The city was founded by Muhammad Quli Qutb Shah in the year 1590. It is geographically placed at 17° 20' Northern latitude and 78° 30' Eastern longitude. The city acts as a shopping center for all varieties of products and services it draws customers from various parts of the state and is main distributing hub. Hyderabad retail space is exploding with single brand retail outlets, multi branded stores, shopping complexes and Malls.

Review of Literature: Retail Services

The retail environment today is changing more rapidly than ever before (Dabholkar, 1996). There is general agreement that a basic retailing strategy for creating competitive advantage is the delivery of high service quality (e.g., Berry, 1986). Since services are intangible, heterogeneous, and inseparable, it is difficult to measure service quality objectively. Over the years, many researchers have proposed and evaluated alternative service quality models and instruments for measuring service quality. Among these models, SERVQUAL (Parasuraman, Zeithaml and Berry, 1985) is the most prominent and the most widely used. Parasuraman, Zeithaml and Berry, defined Service Quality as "A global judgment or attitude, relating to the overall superiority of the service". The characteristics of services like Intangibility, Perishable, Inseparability and Heterogeneity make measuring service quality indefinable and abstract. Service quality and customer satisfaction are of high importance to the marketing theory and practice and it is the ultimate goal of all service providers. This is because Service quality is characterized by the 'Customer perception' of service (Lewlyn, Gopalakrishna, Varambally, 2009). What counts is the quality as it is perceived by the customers i.e. the customers are the sole judge of quality (Berry 1980). Cronin and Taylor (1992, pp. 55-68) measured customer satisfaction as a one-item scale that asks for the customer's overall feeling towards an organization.

Key service elements combine to create the service concept and its value proposition for customers. During service operations failures, employee interactions with customers are a critical service element in restoring customer satisfaction (Anderson, Baggett, Widener, 2007). Salmon (1989) argued that execution in retailing has become more important than other aspects of retail business (e.g., merchandising). Fisher et al. (2000) found that for short lifecycle products, such as fashion apparel, retailers are most successful if they can work with suppliers who can provide initial shipments of product based on forecasts, but then rapidly increase production to the right style, color, size, etc. based on actual sales.

Philip Mitchell (2008) defined Retail Services as the sum of acts and elements that allow consumers to receive what they need or desire from your retail establishment. Retail service is a series of activities designed to enhance the level of customer satisfaction - that is, the feeling that a product or service has met the customer expectation. Its importance varies by product, industry and customer; defective or broken merchandise can be exchanged, often only with a receipt and within a specified time frame. Retail stores will often have a desk or counter devoted to dealing with returns, exchanges and complaints, or will perform related functions at the point of sale.

Layout of a Retail Self-Service Activity:

The first consideration in installing a self-service operation is a preconceived, well-thought-out plan. To plan an efficient and attractive layout for a retail service activity, you must keep the following three objectives in mind.

1. Proper and intelligent circulation of customer traffic throughout the entire store.
2. Traffic-stopping, appealing displays of conveniently placed merchandise that will result in sales. (Merchandise that is seen and handled is half sold.)
3. Strategically placed equipment to perform a two fold function
4. a. To lead the customer, after the selection has been made, through a convenient, rapid, efficient checkout procedure; and
5. b. To provide adequate store protection from pilferage. All equipment should be placed to focus exits through one narrow point; thus, adequate security is provided .

Customer service is normally an integral part of a company's customer value proposition. In their book, *Rules to Break and Laws to Follow*, Don Peppers and Martha Rogers, Ph.D. (2008) wrote that "customers have memories. They will remember you, whether you remember them or not." Further, "customer trust can be destroyed at once by a major service problem, or it can be undermined one day at a time, with a thousand small demonstrations of incompetence". From the point of view of an overall sales process engineering effort, customer service plays an important role in an organization's ability to generate income and revenue. From that perspective, customer service should be included as part of an overall approach to systematic improvement. Some have argued that the quality and level of customer service has decreased in recent years, and this can be attributed to a lack of support or understanding at the executive and middle management levels of a corporation and/or a customer service policy. To address this argument, many organizations have employed a variety of methods to improve their customer satisfaction levels, and other KPIs. Retail sales activities mainly includes following activities:

- Providing product information
- Providing information on current offers
- Door delivery service
- After sales services like alteration of cloths
- Processing guaranties and warranties on Electronics and furniture
- Attending customer complaints
- Announcements of current offer
- Instant billing with out waiting
- Parking facility for all vehicle
- Sales people availability in every department
- Availability of all required products
- Providing exchange facility on some goods and etc.

Further the retail services can be classified as Pre-purchase services, Post-purchase Services and Ancillary Services as shown in the table 1.

Table 1: Types of Retail Services		
Pre-purchase Services	Post-purchase Services	Ancillary Services
Convenient Shopping hours	Exchanges, Adjustments	Providing Information
Advertisement of Offers	Guarantees & Warranties	Repairs & Service
Attractive Interior Display	Door Delivery	Credit Facility
Fashion shows	Shipment	Free parking
Telemarketing Services	Tailoring, Alterations	Providing Rest rooms
Trade-ins	Installations	Baby care services
Window display of new ones	Engraving	Food courts in premises
Mail order delivery	Returns	Plastic Money
Trail / Fitting rooms	Gift wrapping	Interior decorating
Source: Secondary Data Sources of selected retail outlets in study area.		

Data Analysis and Discussions

- (a) Out of the total sample, 71 percent of respondents are male and remaining 29 percent are female, in the metro city like Hyderabad, most of customers visiting retail outlets are males.
- (b) **Age group of respondents** - 4 percent are below 18 years of age, 55 percent are in between 18 to 30 years of age, 35 percent are of 30 to 50 years of age group and 6 percent of respondents are above 50 years of age. So the retailers has to concentrate on the age group of 18 years to 30 years of age.
- (c) **Details of Customer Occupation** - 43 percent respondents are Private Sector Employees, 16 percent are of Government Sector, 12 percent are Self-Employed and remaining 27 percent are others like businessmen, farmers, daily wage workers etc. The majority of customers visiting retail outlets in study area are private sector people and then daily wage workers.
- (d) **Family structure** - 28 percent of respondents belong to the family with less than four members, 41 percent are of family with four members, 21 percent are with five member family, and 10 percent are of family with more than five members.
- (e) **Income levels** - 16 percent of respondents are with below 15000 INR per month, 51 percent are with income in-between 15000 INR - 30000 INR per month, 23 percent are with income in-between 30000 INR - 50000 INR and 10 percent are earning more than 50000 INR per month. It can be inferred that most of the customers visiting retail outlets in study area are of middle class income people.
- (f) **Average Purchase per month** - 18 percent of respondents are purchasing goods worth of 1000 INR per month, 71 percent of respondents purchasing in-between 1000 INR to 5000 INR, 9 percent of respondents purchase-levels in between 5000 INR to 10000 INR and 2 percent of respondents are purchasing goods of worth more than 10000 INR. It can be inferred that most of the customers' average purchase per month is in-between 1000 INR to 5000 INR.
- (g) **Customers Frequency of Visiting the Store** - 2 percent of respondents are daily visiting the store, 30 percent are visiting one day a week, 41 percent are visiting once in a month, 4 percent visit twice a week, 20 percent are visiting twice a month

and remaining 3 percent are visiting not frequently or they are non-locals to the study area.

- (h) **Average Distance from House to Retail Store** - 21 percent of respondents are from less than 1 km away from retail store, 18 percent are from 2 km away from retail store, 14 percent are 3 km away from retail store, 7 percent are 4 km away from retail store, 15 percent are 5 km away from retail store and 25 percent are more than 5 km away from retail store. So it can be inferred that distance from home to retail outlet does not matter to shop in the retail outlet.
- (i) **Customer Satisfaction Levels During Purchasing Goods** - 9 percent of respondents are highly satisfied during purchase of goods, 88 percent of respondents are slightly satisfied during the purchase of goods and 3 percent are dissatisfied during purchase of goods in respective retail outlets in Hyderabad.
- (j) **Customer Satisfaction Levels After Purchasing Goods** - 10 percent of respondents are highly satisfied after purchasing goods in the retail outlet, 84% are slightly satisfied after purchase whereas 6 percent are dissatisfied with purchase of goods in the respective outlets in Hyderabad.
- (k) **Customer Satisfaction Levels of overall Retail Services** - 6 percent of respondents are highly satisfied with retail services of outlet, 89 percent are slightly satisfied with retail services of outlet whereas 5 percent are dissatisfied with retail services of outlets in Hyderabad.
- (l) The following Table (2) shows Customer Satisfaction levels with respect to various retail services.

Type of Retail Service	Outstanding	Excellent	Good	Poor	Worst
Providing product information	4%	14%	63%	14%	5%
Providing information on current offers	7%	15%	56%	20%	2%
Door delivery service offered by store	5%	14%	45%	28%	8%
Post purchase service offered by store	3%	17%	59%	17%	4%
Processing guaranties and warranties	6%	13%	59%	10%	12%
Attending customer complaints	6%	17%	54%	16%	7%
Announcement of current offers	10%	25%	45%	13%	7%
Instant billing without waiting	4%	9%	28%	45%	14%
Parking facility for vehicle	7%	15%	33%	25%	20%
Sales people availability in the department	6%	19%	47%	22%	6%
Availability of require products and brands	7%	16%	46%	19%	12%
Overall Satisfaction Levels of Retail Services	6%	16%	49%	21%	9%

Source: Field Study

From the above table it can be interpreted that the retail outlets are making the customers feel good with its retail services but also there are best services with 6 percent and worst services with 9 percent.

Recommendations

The following recommendations are given to improve the retail services based on the study.

Most of the customers who are visiting store are male so retail stores should try to attract female customers.

- Store has to improve its promotion strategies so as to attract middle-income group customers also.
- The services that are offered by store have to reach the customers properly through effecting promotion strategies.
- Providing product information has to be made clear to customers for picking up easily.
- All the products must be attached with signage for the best communication of offers and discounts.
- Most of the customers are shopping due to all-in-one shopping availability. So it will be better to maintain all the brands of product lines.
- Maintain communication signage for door delivery; Alteration Desk and Customer Service Desk (C.S.D) should also be promoted for the best service.
- Take feedback regularly from the customers to know their satisfaction levels.
- Announcement of current offers leads to customer to particular department. So it is better to maintain all days and all the departments, if there are any offers.
- Checking of bar codes before display is best thing for instant billing with out waiting the customers.
- Make signage and maintain manpower in the parking place for better services.

Conclusion

Retail stores belong to service industry, which offer a hybrid of goods and service, thus retail product management not only have the common characters of goods quality but also have the special characters of services quality. The services which are offered by the store are not good enough, but the implementation of planning and process has to be optimized. The services offered of retail store are to improve sales and to make customers as loyal to store so that the store can be compete with global standards. The store should attract young customers who purchase for themselves and also for family. Besides that the store has to concentrate on attracting all types of customers. Main customers of store belong to above middle income level, those are the main contributors for revenue of the store. The services offered are not reaching to customers in proper way. Processing guaranties and warranties are important services which most of customers are expecting from outlet. A Store can offer wide range of product line for its customers but if the products need to be sold, the retail services are secreting success for the store to be as one the leading stores.

Research limitations and direction for further research:

The study was conducted in the city of Hyderabad so that generalisation can not be made for all retail outlets in the India. There is a scope for conducting the same study allover India so that exact conclusions can be drawn.

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