



# **An Assessment of Service Quality on Customer Satisfaction in Sri Lankan Retail Supermarkets.**

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## **ABSTRACT**

Service quality has become one of the major elements of customer satisfaction in the contemporary business world. It has also become the key to sustainable competitive advantage not only service-rendering organizations but for the retail business sector as well. This study challenges to measure the customer's awareness on retail service quality and its impact on customer satisfaction in supermarkets in Sri Lanka. For collecting primary data, 150 retail supermarket customers in the Galle district were contacted. The Retail Service Quality is measured by five dimensions namely Reliability, Assurance, Tangibility, Empathy, and Responsiveness under the SERVQUAL model which is developed by Parasuraman. There were a lot of domestic research studies in this area among the retail service quality that should be taken in the various service industries. Supplementary concepts like retail service quality should relate to customer loyalty, customer retention, and brand equity to get more insights into the marketing practices of the retail supermarkets. Additionally, the writer suggests that future researchers or scholars carry the research on factor analysis in order to find out the applicability of customer satisfaction on above mentioned areas as well.

Keywords: Service Quality, Customer Satisfaction, Retail Service Quality and Retail Supermarkets.

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## **1. Introduction**

In today's massively competitive business environment, service quality has become one of the major determinants of customer satisfaction (Jain and Gupta, 2004). It has also become the key to sustainable competitive advantage for mainly service-dominant organizations as well as for the grocery retail sector (Chanaka et al, 2014). This study attempts to measure the consumers' perception of retail service quality and its impact on customers' satisfaction in supermarkets in Sri Lanka.

Several names have been branded as Sri Lankan supermarkets (Gajanayake et al, 2011). Such as Keels Super, Cargill's Food City, Arpico showrooms, and Laufs. Since this study focuses on the southern province there are very few brands established in this area among all the names of supermarkets in the country (Hewage, 2010). Keels Super and Cargill's Food City have a greater number of outlets than all the other names of supermarkets in the Southern province. Then the writer selected only Keels Super and Cargill's Food City for this study to be tested.

### ***1.1 Background of the study***

The domestic Supermarket sector has experienced amazing growth, especially in the last couple of years. It demonstrated the supermarket sector as one of the fastest-growing industries in Sri Lanka. Therefore, service quality has become a major determinant for supermarkets to create customer satisfaction (Kotler & Keller, 2009).

There are several local research on this have been done in the western provinces since this supermarket culture was implemented first in the western province and most practiced in the western province in Sri Lanka. Now this culture is spreading among the far area from the center of the country and there is no considerable number of studies done in other provinces. After the study of Ushantha et al (2014), there are very few local studies on this topic, and in 2019 another significant study is there by Kobbakaduwa and colleagues.

Most of the past studies have concluded reliability, assurance, tangibility, empathy, and responsiveness are the main service quality dimensions to satisfy customers in Sri Lankan supermarkets (Kobbekaduwa et al, 2019). Therefore, the expectation of performing this task to study how reliability, assurance, tangibility, empathy, and responsiveness impact customer satisfaction in the local supermarket industry. This study is to assess the impact of service quality on customer satisfaction in southern province supermarkets since there were very few recent studies in this area focusing on the southern province. Most of the studies are based on the western province and this study is expected to be conducted in Galle representing the Southern province.

The service sector provides an enormous contribution to the GDP of Sri Lanka. That is 60.5 as a percentage of GDP in the year 2022 The main section of the service sector is "Wholesale and retail trade, transportation and storage, and accommodation and food service activities". It shows 26.9 as a

percentage of GDP as well. The growth of the Sri Lankan economy started to rise post-war period. The retail sector acts as the main character there (Yi and Jeon, 2003). The local retail sector can be separated into two subparts, traditional and modern retail businesses. Supermarkets come under the modern retailers. Supermarkets are also striving to be in line with the global trends of shop-and-eat concepts, sustainable 'greener' ways to shop, and social e-commerce. In Sri Lanka, household penetration of supermarket shopping has more than doubled over the decade, with an average growth rate of 7.3%. The supermarket is a self-service store. Therefore, parking facilities, internal arrangements, and employee support to customers are very important factors in satisfying customers. The service quality they provide depends on the strength of such factors. (Chanaka et al., 2014)

The buying behavior of the Sri Lankans has drastically changed in the last couple of years. That is because of high competition among the firms in this industry. Supermarkets play a more important role now than in the last few years due to many factors. Banks provide direct support for this incident and there are number of factors such as facilities provided by supermarkets than other traditional retail sellers, customer service their employees offer etc. This was not a new trend in international context but Sri Lanka. The supermarket concept has been popular in 1983. Nevertheless, still shortcomings of the service have caused customer disappointment. A past study has identified that supermarkets in Sri Lanka has had persistent complaints on topics as insufficient customer care and attitudes of service providers towards customers (Weerasiri, 2015). A more recent observation was done by the research team to analyze customer complaints and found out that there are recurring customer complaints on customer review websites and social media (Yamu.lk, 2014) (Arpico Facebook Reviews, 2017). Therefore, this study aims to give a better understanding of how service quality dimensions will affect customer satisfaction in domestic supermarkets.

### **1.2 Research question**

"How do the dimensions of service quality influence customer satisfaction in supermarkets within the Galle district of Sri Lanka?"

### **1.3 Research Objectives**

This study will facilitate the analysis of the influences of key dimensions in satisfying customers. It will be very important to identify critical areas for service improvement to increase customer satisfaction in future. To provide actionable recommendations for supermarket operators to improve service quality based on the findings of this study.

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## **2. Literature Review**

There is a research study on the topic of customer satisfaction of supermarket retail shopping. They reviewed the satisfaction ratings of the attributes. Finally, they have invented that results suggested that since retail formats have become very standardized, corporate reputation is rated high and may be a source of sustainable competitive advantage (Kotler, 2012). The results proposed the retail chain has mostly been able to align its energies to the areas considered important by customers. Another international study (Orel and Kara, 2014) is there with the topic of Supermarket self-checkout service quality, customer satisfaction, and loyalty which is empirical evidence from an emerging market (Johnston, 1995). They have pointed out that supermarket self-checkout service quality positively influences loyalty through customer satisfaction. In the year 2008 there is a UK study on the topic of Customer Satisfaction and Loyalty to British Supermarkets (Omar & Sawmong, 2008). The purpose of this study was to empirically analyze the customer loyalty of British supermarkets. The findings show that different loyalty phases have different impacts on supermarket patronage. They recommend that supermarkets should focus on customer loyalty to generate positive net operating profits.

With such an understanding of international supermarkets, it is better to have an idea of local conditions as well. There are number of studies that have been done in this area. Supermarkets have many ways and means to reduce the price of groceries, they add some value for the environment, maintenance, electricity etc and still the customers can buy products outside for less prices than from the supermarkets. (Ushantha et al, 2014) have done a study on Retail Service Quality. It is an empirical study of the retail service quality in Sri Lankan Supermarkets in the year 2014. They used 27 retail service quality items under five dimensions namely, physical aspects, reliability, personal interaction, problem solving and policy. The outcomes of the study showed that the retail service quality has a positive correlation with customer satisfaction. Further they invented that customer satisfaction in the retail supermarket is determined or influenced by the retail service. Therefore, service quality is viewed as a strategic formula in the marketing practices among retail outlets to enhance customer satisfaction in both developed and developing countries. Based on their conclusions concepts like retail service quality should relate to customer loyalty, customer retention and brand equity to get more insight in the marketing practices of the retail supermarkets. There is another Sri Lankan study, the topic of "A Study on the Impact of Service Quality on Customer Loyalty" (Kobbekaduwa et al, 2019). Their findings revealed that there is a significant impact on service quality dimensions towards customer satisfaction and customer loyalty. The results further indicate that reliability, assurance, tangibility, empathy and responsiveness have a positive impact on customer satisfaction and customer loyalty.

### **2.1 Conceptual framework and Hypotheses**

The independent variable is service quality, and the dependent variable is customer satisfaction as illustrated in figure 1. The independent variable consists of number of sub variables such as Reliability, Assurance, Tangibility, Empathy and Responsiveness.

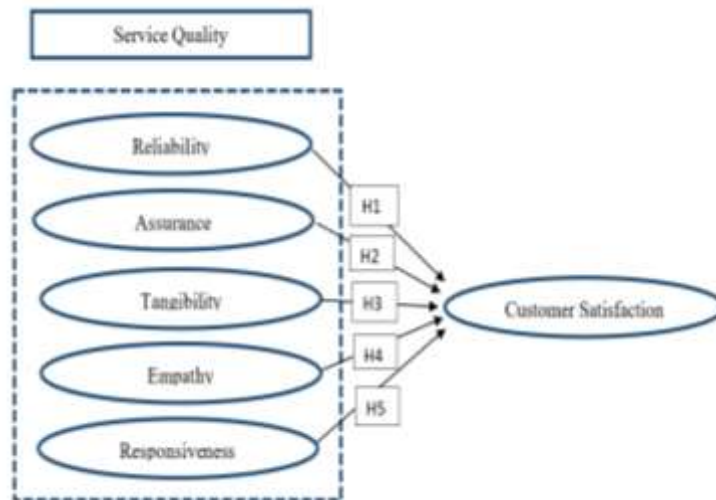


Figure 1-Conceptual Framework

### 2.3 Hypotheses Development

H1 : The reliability has a significant impact on customer satisfaction

H2 : The assurance has a significant impact on customer satisfaction

H3 : The tangibility has a significant impact on customer satisfaction

H4 : The empathy has a significant impact on customer satisfaction

H5 : The responsiveness has a significant impact on customer satisfaction

## 3. Methodology

The deductive reasoning approach has been used in this study by applying the five dimensions of service quality namely Reliability, Assurance, Tangibility, Empathy, and Responsiveness under SERVQUAL model which is developed by Parasuraman. The primary data was gathered through a survey by conducting a questionnaire for the respondents. The questions were assessed through a five-point Likert scale by ranging customer opinions by one to five (Chanaka et al, 2014). The population of the study is supermarket customers in the Galle district.

Even though several supermarkets are performing in the Sri Lankan context Keels Super and Cargills Food City are the top two branches in the southern province and Galle district (Keels Super and Cargills Food City websites and related articles). Keels Super and Cargill's Food City customers in the Galle district are the sample since the author has selected only two organizations for the investigation. A convenience sampling method has been used.

The data collection used for the study was obtained from two main sources. Primary data has been gathered by distributing a questionnaire among the selected supermarket customers. Websites and press releases by supermarket websites regarding such areas are also used since they play a vital role for the Secondary data.

The data gathered from the primary data collection method is analyzed using the Statistical Package for the Social Sciences (SPSS).

Initially, 150 questionnaires were distributed and only 125 were collected. Due to reasonable matters, 25 of them were rejected. Consequently, the rate of response was 66%.

## 4. Analysis

The study was conducted based on the Retail Service Quality Scale (RSQS), focusing on five dimensions of service quality physical aspects, reliability, personal interaction, problem solving, and policy. These are the statistical findings incorporated with the study.

### 4.1 Regression Analysis

Reliability is now becoming the most trending factor with a beta value of 0.310. The factor of personal interaction remains critical with a beta value of 0.290 which is a little different from the literature. Physical aspects and problem-solving have a moderate impact on customer satisfaction. The policy shows the minimal impact aligning with literature.

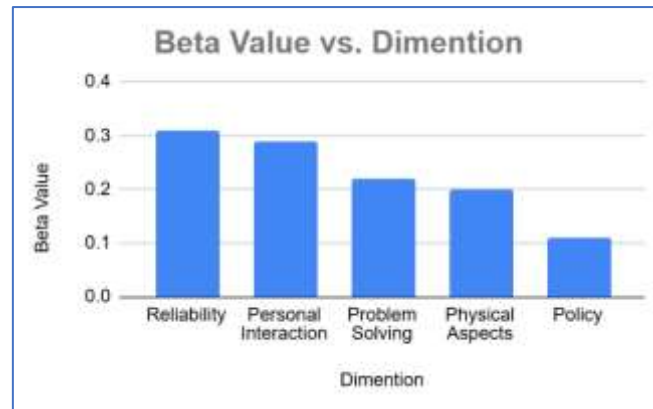


Figure 2-Beta of Dimensions

#### 4.2 Correlation Analysis

The study reflects that customer expectations shifted after the pandemic. Reliability shows the strongest correlation ( $r = 0.812$ ). As another dimension, personal interaction shows a slightly lower correlation ( $r = 0.780$ ) while policy retains the weakest correlation ( $r = 0.450$ ).

### 5. Conclusion

Reliability and personal interaction are the most critical dimensions influencing customer satisfaction in Galle district, Sri Lanka. These findings depict that customer decisions are based on service and supportive interactions in the existing economic atmosphere.

Some recommendations are resulting from the study. Supermarkets should ensure product availability in the event of building reliability. Accurate billing is also a critical factor in enhancing reliability. Recommend focusing on increasing the quality of staff skills to quick problem solving and digitalize the problem-solving process as much as possible like developed countries. Enhancing staff interaction also will impact positively on customer satisfaction. Well answering for improving infrastructure as questionable parking facilities will make satisfied customers. Further spreading store outlets and starting home delivery or moving to an online platform will generate more satisfied customers.

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