Analyzing Customer Satisfaction: An Empirical Study on the Services Provided by Large Format Retail Stores in Tier-III Cities of India

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Abstract

Background: Large format retail stores, known as hypermarkets or superstores, have gained popularity in India. These stores offer diverse products and services, creating a convenient shopping experience. Despite success in urban settings, there is growing interest in expanding into rural areas. This paper explores whether these stores meet customer expectations and contribute to satisfaction in rural settings, assessing the suitability of this expansion perspective. Goal: India's retail focus has shifted to Tier-III cities and semi-urban towns due to market saturation in metropolitan areas. Customers in these regions expect higher service standards. This study evaluates customer satisfaction with services provided by large format retail stores in Tier-III cities and semi-urban towns. Design/Methodology/Approach: The study measures customer satisfaction derived from large format retail stores using the seven P's of retail services marketing parameters. Data is collected from various Telangana districts through judgmental sampling, involving 100 customers through questionnaires and interviews. Analysis involves means, standard deviations, and weighted means, revealing moderate satisfaction with room for improvement. Findings/Results: Utilizing a five-point scale, the study identifies customer expectations and satisfaction across retailing service sub-parameters. Results show moderate satisfaction, suggesting opportunities for enhancing overall satisfaction, customer experience, and service quality. Originality: This study innovatively explores customer expectations from large format retail stores in Tier-III cities and semi-urban towns in India. It sheds light on customer satisfaction in the context of retail expansion into rural areas, emphasizing the need for strategic changes to meet customer expectations effectively. This paper offers a comprehensive exploration of the retail sector's role in sustainable development, covering economic, social, and environmental aspects. The findings and insights presented can guide retail operators and policymakers in fostering a more sustainable and inclusive retail environment in India.

Keywords: *Consumer behaviour; Retail stores, Rural economy, Customer satisfaction, Customer experience, Customer service, Large format retail stores, Sustainable growth.*

Introduction

Retailing encompasses all activities directly associated with selling goods and services to end consumers for personal, non-business use. The Indian retail sector has undergone consolidation and experienced growth recently, attributable to the influx of new entrants. From 2013 to 2018, the Indian retail industry demonstrated a remarkable 10% Compound Annual Growth Rate (CAGR). Government initiatives, such as the relaxation of Foreign Direct Investment (FDI) norms, allowing up to 51% in multi-brand and 100% in single-brand stores, served as a catalyst for industry expansion (Care Ratings, 2019). Given that India is primarily a rural economy undergoing rapid urbanization, it is anticipated to emerge as the world's third-largest economy by 2025, with a consumption value projected to reach USD 400 billion. Despite experiencing organic growth, expanding from USD 10.3 billion to 47.4 billion in the fiscal year 2020 (ICC, 2018; Wang et.al, 2023), this still constitutes 88% of the total retail business. The current focus of the Indian retail sector has shifted from metros and capital cities to district headquarters, encompassing Tier III cities and semi-urban towns within the districts. Notably, one-third of new mall developments are concentrated in Tier-II and Tier-III cities (Jagadeesha, 2013). The shift of focus from metros to Tier-III cities and semi-urban towns indicates a potential for rural development. As

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the retail industry expands into these areas, it has the potential to generate employment opportunities, improve infrastructure, and contribute to the overall development of rural economy.

The retail market is not only experiencing rapid growth but also presenting significant challenges to operators due to shifts in consumer habits, experiences, and preferences. Traditional retail practices are being phased out as the industry transforms into modern, web-based markets. Web-based retail giants like Amazon, Big Basket, Flipkart, Myntra, and Snapdeal have recently entered the retail sector (Kanjer & Bhatia, 2018). Various retail formats, including departmental stores, supermarkets, specialty stores, large-format retail stores, and hypermarkets, operate in the Indian environment. Regardless of format, size, location, or volume of operations, retailers are primarily focused on deeply understanding shifting consumption patterns, meeting customer expectations, and ensuring customer satisfaction. Therefore, meeting customer expectations is crucial in today's retail environment, prompting markets to adopt new trends and technologies to simplify operations and enhance customer satisfaction.

In Tier I and Tier II cities, the upper and middle-class population contributes to 45% of luxury goods consumption (Tandon et al., 2016). In terms of discount-driven online retail growth, India leads with 53%, followed by China at 33% and Indonesia at 31%, owing to the widespread availability of technology and smartphones for online shopping. This growth is further attributed to increased disposable income, the availability of credit facilities, a passion for essential luxury goods, lifestyle changes, the rise of nuclear and double-income families, increased rural income, and the growth of modern retail formats (IBEF, 2019).

Integrating strategies to cater to a four-tier consumer structure is highly desirable. These tiers include Tier-1: cosmopolitan middle and upper-class consumers in developed countries and the elite class in developing countries; Tier-2: low-income customers in developed nations; Tier-3: the emerging middle class in developing countries; and Tier-4: people residing in rural villages with a per capita income less than $1 per day. The Tier-4 market is untapped and well-informed about products and services due to technological advancements. Exploring opportunities in the bottom of the pyramid involves creating buying power, shaping consumer aspirations, providing local solutions, and improving access through effective communication and distribution (Prahalad & Hart, 2002) contribute to a more inclusive economic landscape.

Literature Review

Customer expectations encompass the collection of assumptions, desires, and needs that customers hold for a specific product, service, or overall experience. These expectations are shaped by diverse influences, including past experiences, recommendations from others, advertising, and societal norms. Successfully meeting or surpassing customer expectations is pivotal in cultivating customer satisfaction, fostering loyalty, and building trust. These positive outcomes, in turn, contribute to heightened sales and overall business growth. For businesses, comprehending customer expectations is imperative for tailoring products, services, and marketing strategies to align with customer needs and provide outstanding customer experiences.

Services possess five distinct characteristics that set them apart from goods. These characteristics are:

1. Intangibility: Services lack physical form and cannot be touched or seen before consumption. This characteristic makes it challenging for customers to evaluate the service beforehand.

2. Inseparability: Services are often produced and consumed simultaneously, meaning that the production and consumption processes are inseparable. This characteristic emphasizes the direct interaction between service providers and customers.

3. Perishability: Services cannot be stored or inventoried for future use. They are time-sensitive, and if not utilized at the time of production, the opportunity for consumption is lost.

4. Variability: Services are inherently variable due to the involvement of human factors, including the service provider and the customer. This variability can lead to differences in service quality and customer experiences.

5. Lack of Ownership: Unlike goods, services are not owned by the customer. Customers essentially purchase the right to use the service for a specific duration.

Recognizing these distinctive characteristics, the services marketing mix strategy extends beyond the traditional four Ps (Product, Price, Place, and Promotion) to include three additional Ps, as proposed by Boom and Bitner in 1981:

1. People: Refers to the employees, service providers, and customers involved in the service delivery process. The interactions and behaviors of these individuals significantly impact the overall service experience.

2. Physical Evidence: Encompasses the tangible elements that contribute to the service experience, such as the physical environment, facilities, and other visible cues. These elements serve as evidence of the service being delivered.

3. Process: Refers to the procedures, methods, and flow of activities involved in service delivery. An effective and efficient process is crucial for delivering a seamless and satisfactory service experience.

This expanded framework of seven Ps provides a comprehensive approach for developing and managing marketing strategies in the context of services (Boom &Bitner, 1981).

i.   *Product:* width and depth of product assortment with quality.

ii. *Price:* economical, value for money.

iii. *Place:* accessibility, visibility of location, hours of operations and delivery options

iv. *Promotion:* personal selling, communication, price cuts, rewards, loyalty programs, and CRM

i.   *Physical evidence:* Servicescape- atmosphere, Sound and lighting, electronic systems

ii. *People:* Customer service, employee skill, courteous behavior, and empathy.

iii. *Process:* Check in-Check out process, customer service and internal processes.

Consumer choices in selecting a retail store are influenced by four major factors: Psychological influence, marketing mix by the retail operator, socio-cultural influence, and situational influence, as highlighted by Kotler and Armstrong in 2018. However, in a conscious decision-making environment, consumers often lean towards the marketing mix offered by the retailer. The shopping experience, the ability to touch and feel products, play significant roles in driving offline retail store preferences (Wu J.J et al., 2018).

In India, pricing emerges as a pivotal factor in the purchase environment, with price-offs being a major determinant in merchandise selection. The recent surge in digital payments has provided substantial support for the expansion of online stores. According to a survey by PWC India (2016), five factors enhancing the in-store experience for consumers include knowledge of sales associates, self-service checkouts, product displays on screens, and personalized offers. Consumers also take into account a retailer's social media presence, stock availability, various delivery options, in-store technology, and the overall store experience and ambiance when choosing a favourite retailer (Gouri et al., 2021; Ming, 2022).

Many service-oriented firms prioritize the principle of customer satisfaction in both their marketing and production operations. Customer satisfaction, as defined by Lamb et al. (2014), is the customer's assessment of goods or services based on whether they have met their needs and expectations. Satisfaction is also seen as a state of contentment, pleasure, and delight resulting from the fulfilment of expectations associated with a product or service. It is a dynamic concept influenced by the time of usage and overall experience. Customer satisfaction is positively correlated with customer retention, leading to a return on investment and increased profitability (Paul Bains et al., 2013).

Customer satisfaction is intricately tied to customer expectations and trust. Customers evaluate the performance of a product or service in comparison to their expectations, leading to feelings of either satisfaction or dissatisfaction. Building customer relationships is essential for customer retention and loyalty, ultimately contributing to customer satisfaction. Satisfied customers are likely to remain loyal, leading to repeat business and long-term sustainability for retail operators. According to Cumby and Bains (as cited in Paul Bains et al., 2013), key insights that contribute to customer satisfaction include the core product/service, support service and systems, technical performance, elements of customer interaction, and effective dimensions of service (Angelova & Zekiri, 2011). These elements collectively play a crucial role in shaping and enhancing the overall customer experience. Adding to the discussion, Kotler and Keller (2016) emphasize the importance of creating positive customer experiences through integrated marketing efforts, asserting that customer satisfaction is a result of aligning all marketing elements cohesively. This holistic approach encompasses product quality, pricing, promotional activities, and the overall service environment.

All employees within a retailing firm are focused on providing a retail mix to customers with the aim of enhancing the value of the merchandise. Drawing from Arlie Hochschild's perspective (as cited in NPTEL, 2019), personnel in service firms are required to maintain positive and pleasant emotions towards customer needs and demonstrate commitment to fulfilling them. According to Zeithaml et al. (2013), the concept of satisfaction extends beyond service quality (reliability, responsiveness, assurance, empathy, and tangibility) to encompass other factors. These include customers' evaluations of service features, product quality, price, situational factors, and personal factors that collectively contribute to customer satisfaction. Gronroos (as cited in Blois, K., 2008, p.508) identified six criteria for good service: professionalism and skills, attitude and behavior, accessibility and flexibility, reliability and trustworthiness, recovery and reputation, and credibility.

In the latest developments within the consumer grocery market, an Effective Consumer Response (ECR) strategy has emerged, allowing firms to collaborate with suppliers in a synchronized manner to maximize customer satisfaction. These ECR strategies involve efficient store assortment, replenishment, promotion, and product introduction, coupled with the adoption of category management (Leeman, 2020). This approach aims to enhance the overall consumer experience and satisfaction by streamlining various aspects of the retailing process. Implementing these strategies not only enhances customer satisfaction but also contributes to the efficient management of the supply chain, reducing waste and improving sustainability.

According to Smith and Wheeler (2021), the implementation of innovative technologies, such as personalized online experiences, efficient e-commerce platforms, and data analytics, plays a crucial role in meeting evolving customer expectations and increasing satisfaction levels.

The study's of Rahmayanti et.al (2022) highlight that customer satisfaction is influenced by a combination of factors, including product quality, service quality, perceived price fairness, promotion, distribution, brand image, attitudes, and customer experience. The research consolidates these elements into a comprehensive model, revealing their interconnected impact on overall customer satisfaction. This integrated conceptual model provides valuable insights for retail businesses seeking to improve their strategies and enhance customer satisfaction.

Research Objectives

Because of growing opportunities in Tier-4 consumption class, more particularly those living in Tier-III cities and sub-urban towns in India (HR & Aithal, 2020)., It is essential to meet customer expectations to achieve customer satisfaction. The retail stores have succeeded in achieving a greater amount of customer satisfaction in Tier I & II cities and reaching maturity (Singh & Bose, 2008). However, Tier-III and semi-urban cities are carrying the potential to bring in changes in the customer tastes and preferences. Hence it is essential to study the customer satisfaction in the changed macro retail environment to know the customer needs, service requirements and their existing satisfaction levels; thereby this study will help the retail operators to examine their existing strategies to bring high levels of efficiency in marketing strategies to attain greater customer satisfaction, tailoring marketing strategies to align with local preferences, contribute to the sustainable business practices. From the literature review, the following objectives are framed.

1. To examine the concept of customer satisfaction in the large format retailing services environment.

2. To evaluate the customer satisfaction derived from large format retail services that are operating in Tier-III cities and semi-urban towns of India focusing on Telangana state.

Methodology

The study adopts a descriptive research design, utilizing the parameters outlined in the conceptual framework to construct a comprehensive understanding of customer satisfaction. The research focuses on Tier-3 cities and semi-urban towns within Telangana, specifically Nizamabad, Karimnagar, Jagityal, Armoor, Kamareddy, Medak, and Mahaboobnagar districts. Employing a non-probabilistic judgmental sampling method, the study selects a sample of 100 respondents who have visited retail stores at least twice in the past three months, aligning with the study objectives. The data collection instrument consists of a structured closed-ended questionnaire with two sections: i) demographic characteristics and ii) customer satisfaction parameters. The questionnaire encompasses around 60 questions, requiring respondents to rate their satisfaction on Likert's Five-point scale. The distribution of the questionnaire is conducted through personal interactions, Google forms, and telephonic conversations.

To ensure the reliability of the instrument, an initial pilot study is carried out with 30 respondents, resulting in a high Chronbach's Alpha of 0.96. Subsequently, full-scale data collection is executed over one month in June 2023. The final computed Chronbach's Alpha value for all 100 responses stands at a robust 0.93, affirming the reliability of the instrument. Empirical analysis employs statistical tools for a comprehensive examination of the collected data. The questionnaire elicits direct responses from respondents, offering insights into overall customer opinions on the study parameters. These responses are then compared with weighted means for a nuanced interpretation of overall customer satisfaction. Parameter scores are interpreted according to the framework presented in **Table-1.**

Table 1: Interpretation of Parameter scores

Mean score	Interpretation
1.00 – 1.99	Not at all satisfied
2.00 – 2.99	Less satisfied
3.00 – 3.99	Moderately satisfied
4.00 – 5.00	Fully Satisfied

Given the large and ambiguous population, a sample of 100 respondents from Telangana is collected, and Bootstrap methodology is applied to generate 500 samples. This approach aims to observe the consistency in mean and standard deviations across all parameters, providing robust insights into the reliability and stability of the study findings.

Data Analysis & Interpretation

Customer satisfaction in this study is assessed based on the core service provided in retailing, with a focus on retailing services as the product. **Table-2** presents the findings, indicating that customers exhibit moderate satisfaction levels with assortments (3.29) and the quality of merchandise (3.32). The majority of customers in Tier-III cities, being in the middle-income bracket, demonstrate a preference for purchasing limited varieties within an economical price range. However, satisfaction regarding volume flexibility (3.51) is at a moderate level, and labeling information (4.02) receives positive feedback. This suggests that retail stores emphasize offering various volumes, such as different weights, sizes, quantities, and units, catering to a diverse customer base.

Table 2: Customer Satisfaction on Retail Services

Product-related sub-parameters	Mean	Std. Deviation
1.1 Availability of Category-wise assortments	3.29	0.89
1.2 Quality of merchandise	3.32	0.95
1.3 Volume flexibility	3.51	0.85
1.4 Labelling & information	4.02	0.78
1.5 Availability of multi Brands	3.29	1.31
1.6 CRM	3.25	1.25

Moreover, customers express moderate satisfaction with Customer Relationship Management (CRM) practices (3.25), indicating a consistent level of interaction with customers. Retailers commonly collect contact details during initial visits or through membership/loyalty card programs, leveraging this information for maintaining customer relations, especially during special occasions, promotional periods, or offer campaigns. The study highlights opportunities for improvement in enhancing satisfaction levels for these specific parameters.

Tier-III cities are predominantly inhabited by the middle-class and lower-middle-class segments, characterized by a heightened price-consciousness and a strong expectation of receiving full value for their money. In India, pricing emerges as a significant driving force in attracting customers to retail stores. Therefore, it is crucial to measure customer satisfaction concerning price-related metrics. Customers express the opinion that many retailing firms can uphold the promise of economy pricing.

As illustrated in **Table 3**, customers provide a moderate satisfaction rating (3.34) for adherence to promised pricing by retail firms. Quantity offers, commonly used as a tool for reduced pricing in most retail establishments, also garner a similar response with a satisfaction rating of 3.36. However, respondents express dissatisfaction with the cash discounts offered in retail stores (2.92), falling below the satisfaction threshold of <3. Customers seem to hold a strong perception that retail stores providing higher discounted prices compared to the conventional retail (Kirana) format are more favorable. It is noteworthy that retailers

should pay attention to this parameter to enhance customer satisfaction without compromising the profitability of the business.

Table 3: Customer Satisfaction on Pricing

Price related sub-parameters	Mean	Std. Deviation
2.1 Promised economic pricing	3.34	0.97
2.2 Cash Discounts	2.92	1.14
2.3 Quantity offers	3.36	0.96

In marketing terminology, "place" signifies distribution, making the retail store more convenient for customers, and is a crucial determinant in selecting a particular store for shopping. This factor is considered in the current study, and as per **Table 4**, the findings indicate that customers exhibit moderate satisfaction with the location of a retail store (3.24), even when these stores are set up at a distance from their residential areas. The timings are also perceived as comfortable by customers, particularly during peak sales seasons (3.34).

Table 4: Customer Satisfaction on Distribution (Place)

Place related sub-parameters	Mean	Std. Deviation
3.1 Convenience of store location	3.24	1.19
3.2 Extra hours of Store Operation	3.34	1.15
3.3 Online orders and processing	2.85	1.28
3.4 Home delivery & Logistics support	2.76	1.26
3.5 Stock outs &replenishment	2.86	1.106

However, respondents express some dissatisfaction with online order placement and processing times. This dissatisfaction can be attributed to the fact that a majority of retail stores were not accepting online orders. For those that did, the processing time ranged from 12 to 24 hours, contributing to delays in order execution and home delivery. The dissatisfaction with home delivery times can be associated with delays in routing, non-availability of truck drivers, vehicle maintenance and repairs, and insufficient delivery vehicles. This delay is a significant impediment to better customer satisfaction in Tier-III cities and semi-urban towns.

Another noteworthy challenge is the failure to replenish goods (2.86) within the promised due date. Despite the use of information technology-based integrated procurement systems, replenishment remains a significant challenge for retailers. Additionally, the adoption of a minimum billing system by most large-format stores poses a hurdle, as customers may be deterred from visiting the store due to the fear of incurring a minimum bill.

Promotions play a pivotal role in the retail business in India, serving as a driving force that diverts customers from traditional Kirana-type retailing to modern retailing. Customers in India actively pay attention to promotional offers, schemes, and coupons. The study aimed to analyze the extent to which customers are satisfied with the promotions offered by retailers, and the findings, as presented in **Table 5**, indicate that customers are moderately satisfied with the display of promotional offers (3.63) on the shopping floor to attract customers. A similar level of satisfaction is observed in customers' responses to the use of window dressing (3.78) to attract customers.

Table 5: Customer Satisfaction on Retail Services Promotion

Promotion Variables	Mean	Std. Deviation
4.1 Display of promotional offers	3.63	1.12
4.2 Availability spot financing	2.71	1.36

4.3 Adhering to promised offers and promotions	2.98	1.23
4.4 Reward programs/Loyalty programs	2.86	1.19
4.5 Advertisements in media	3.08	1.10
4.6 Store window dressing for attracting customers	3.78	1.20

However, respondents express dissatisfaction with promotions communicated through electronic media (3.08). Conversely, customers are somewhat unhappy with rewards and loyalty programs. Consumer financing, which involves extending loans for the purchase of consumer durable goods, serves as a boosting factor for promoting sales. In this context, the study reveals that customers are somewhat dissatisfied with the non-availability of spot consumer credit (2.71) facilities. This dissatisfaction is attributed to the fact that Tier-III cities are not matured in terms of credit-based transactions, lack regular incomes, and are distanced from information technology, non-banking financial companies (NBFCs), and banking systems.

Physical evidence and process are distinctive characteristics of services compared to goods. This study comprehensively considers both physical evidence (Servicescape) and process parameters to analyze customer satisfaction. **Table 6** presents the findings, indicating that respondents are fairly satisfied with the aesthetic view (3.77), spaciousness (3.42), and a pleasant in-store environment (3.32) of retail stores. Additionally, parking and traffic facilities (3.22) contribute to customer satisfaction, emphasizing the significance of these factors in distinguishing traditional retailing from modern retailing.

However, the availability of cash dispensing ATMs and consumer credit facilities at retailer stores receives a lower satisfaction score (2.61). This dissatisfaction can be attributed to retailers accepting alternative payment methods other than cash (4.10). Customers widely use e-Wallets, mobile payments, Point of Sale (PoS) systems, and internet banking. Despite these alternative methods, credit facilities remain a crucial factor, particularly in boosting sales in the consumer durable segment.

Table 6: Customer Satisfaction on Retail Servicescape & Process

Physical Evidence (Servicescape) & Process related sub-parameters	Mean	Std. Deviation
5.1 Aesthetic view & Appealing site location	3.77	0.74
5.2 Inside Store spaciousness	3.42	1.03
5.3 Pleasantness of In-store's environment	3.32	1.21
5.4 Inside store ATMs /bank/finance facility	2.61	1.33
5.5 Simplified Checkout	3.05	1.10
5.6 Parking, traffic-free & Open space	3.22	1.26
5.7 Time consuming for Check-in	3.29	1.11
5.8 Time consuming for Check-out process	2.63	1.22
5.9 Self-service and Shopping Carts	4.11	0.48
5.10 Bar coding/ QR coding system	4.51	0.32
5.11 Computerized billing system	4.27	0.45
5.12 Disaster management	3.08	1.22
5.13 Inside store: Restaurant, game zone, spa, etc.	2.82	1.32
5.15 Acceptance of 'other than cash' payments	4.10	0.56

The study also delves into customer satisfaction with various processes connected to retail services. Customers express grievances with the check-out process (2.63) due to long waiting queues, insufficient check-out counters, slow billing processes, and multiple scrutinies by security staff. Conversely, respondents show satisfaction with security measures (3.08), such as metal detectors and body scanners used in retail stores for customer safety. Notably, customers exhibit high satisfaction with self-service shopping carts (4.11), QR and barcoding (4.51), and the computerized billing system (4.27). These elements are identified as key differentiators from the traditional retail system, contributing to enhanced customer satisfaction.

Services possess a unique characteristic of perishability, requiring them to be delivered and consumed during the "moment of truth." Service providers play a crucial role in delivering services with pre-determined quality standards to meet customer expectations. Therefore, this study explores the 'People' related parameters and their role in creating customer satisfaction. **Table 7** illustrates the findings, highlighting several key aspects related to personnel attributes.

Table 7: Customer Satisfaction on Retailing People (Personnel)

People related sub-parameters	Mean	Std. Deviation
6.0 Availability Enquiry/ Assistance counter	3.92	0.86
6.1 Employees interest in solving customer concerns	2.95	1.09
6.2 Sufficiency of staff in all categories	3.15	0.96
6.3 Availability of trained staff to answer queries	2.97	1.12
6.4 Personal attention to customer's needs	2.88	1.11
6.5 Courtesy behavior of stores employees	2.98	1.19

The results indicate that employees' interest in solving customer concerns is low (2.95), influenced by factors such as poor technical skills, a shortage of human resources, and a lack of training. Additionally, the availability of trained manpower (2.97), personal attention towards individual customer needs (2.88), and courteous behavior (2.98) show suboptimal satisfaction levels. These shortcomings can be attributed to inadequate knowledge levels, insufficient training, hasty recruitment practices, selection errors, and a lack of customer orientation. However, the availability of an enquiry/assistance counter (3.92) reflects fair satisfaction, suggesting a positive aspect in the realm of personnel attributes. The sufficiency of manpower (3.15) demonstrates moderate satisfaction, indicating potential areas for improvement. Overall, addressing these issues related to personnel attributes is crucial for enhancing customer satisfaction and ensuring a positive service experience.

Table 8 provides a comparison of means of customer satisfaction on various parameters obtained directly from sample respondents and the weighted mean, which is computed by averaging all means of sub-parameters. This analysis aims to determine if there is any significant difference between these two methods and confirm the validity of the overall customer satisfaction findings. It is noteworthy that the variation in these two means is highly negligible. The table reveals that the overall customer satisfaction on product-related metrics is moderately good (3.42/3.45). Customers express moderate satisfaction with pricing (3.25/3.21), and the study indicates that customers are moderately satisfied (3.25/3.17) with the offers promoted by retail stores. The mean for physical evidence (Servicescape) and process variables reflects moderate satisfaction (3.44/3.15).

Table 8: Comparison of Customer Satisfaction on Retail Services Parameters

Retail service parameters	Weighted		Sample	
	Mean	Std. Deviation	Mean	Std. Deviation
Product (Retail service)	3.42	0.93	3.45	1.01
Pricing	3.25	1.01	3.21	1.03
Place (Distribution)	3.19	0.94	3.01	1.20
Promotion	3.25	1.12	3.17	1.21
Physical Evidence & Process	3.15	1.00	3.44	0.96
People	3.00	1.03	3.00	1.10
Overall customer satisfaction	3.28	1.06	3.27	0.962

Regarding service personnel in retail service, the overall customer satisfaction is moderately satisfied, with both methods showing no difference (3.00/3.00). Similarly, in the case of pricing variables, there is no significant difference in overall satisfaction between the two methods (3.21/3.25). The study attempts to

assess the overall customer satisfaction of the services offered in large format retail stores in Tier-III cities. The findings indicate that customers are moderately satisfied (3.28/3.27), highlighting the transformative impact of modern retail on the retail environment in India. Despite facing numerous challenges, modern large format retailing has successfully attracted rural and semi-urban populations, becoming a trend in the country. Rising customer expectations are evident due to the rapid expansion of retailing operations in Tier-III cities.

Findings

The findings of the study shed light on various aspects of customer satisfaction with services offered by large format retail stores in Tier-III cities in India. Following key findings are drawn from the study:

1. Product-Related Metrics

- Customers exhibit moderate satisfaction (3.42/3.45) with product-related metrics, indicating a generally positive reception of the retail stores' product offerings.

- The study identifies areas such as product assortments (3.29), quality of merchandise (3.32), volume flexibility (3.51), and labeling information (4.02) where there is room for improvement to enhance overall customer satisfaction.

2. Pricing

- Overall, customers express moderate satisfaction (3.25/3.21) with pricing, emphasizing the importance of economical and value-for-money pricing strategies for retail stores.

- Attention should be given to areas like adherence to promised pricing (3.34) and cash discounts (2.92) to align pricing strategies with customer expectations and increase satisfaction.

3. Physical Evidence (Servicescape) and Process

- Customers exhibit moderate satisfaction (3.44/3.15) with physical evidence (Servicescape) and process variables, emphasizing the significance of the in-store environment and operational processes.

- Specific areas for improvement include online order processing times, order delivery to homes, and timely replenishment of goods to address customer dissatisfaction in these aspects.

4. Service Personnel

- Customer satisfaction with service personnel is moderately positive (3.00/3.00), indicating a need for improvement in employee technical skills, availability of trained manpower, and personal attention towards individual customer needs.

- Enhancing employee training programs and recruitment practices can contribute to improved customer interactions and satisfaction.

5. Overall Customer Satisfaction

- The overall customer satisfaction with services offered by large format retail stores in Tier-III cities is moderate (3.28/3.27), reflecting the transformative impact of modern retail on the retail landscape in India.

- As retail operations continue to expand in Tier-III cities, addressing customer expectations and delivering satisfactory experiences remain crucial for sustained success in these markets.

6. Opportunities for Improvement

- The study identifies specific parameters within each category where customer satisfaction can be enhanced, offering retail operators actionable insights to refine their strategies and operations.

- Strategies to improve online order processing, pricing transparency, and customer interaction can contribute to elevating overall customer satisfaction levels.

Conclusion

Retailing is undergoing a profound transformation in the dynamic landscape of the Indian market. With the burgeoning middle-income groups, rapid urbanization, and increasing literacy levels, the potential for the rural market is vast. The traditional Kirana-style retailing is gradually fading away, opening avenues for organized retailers. However, despite their efforts, organized retail faces challenges in becoming a perfect alternative to traditional retail, primarily due to widespread coverage and operational costs. In this fiercely competitive industry, understanding and meeting customer expectations are paramount for attracting and retaining customers.

According to the study, customers exhibit moderate satisfaction with the overall performance of the 7P parameters, encompassing product, price, place, promotion, physical evidence, people, and process. However, certain impediments dampen this satisfaction, including a lack of customer focus among staff, poor responses to customer queries, and a deficiency in professional behavior when addressing customer needs.

Key facilities such as in-store kiosks, restaurants, spas, and Bank/ATM services seem to be lacking, potentially affecting overall customer satisfaction. While service quality is generally guaranteed, the study highlights customer expectations for consistent offers and loyalty rewards from retail firms. Issues such as poor stock replenishment, inconsistency in brand availability, and suboptimal handling of customer queries and grievances contribute to customers leaving stores without making all the intended purchases.

The study emphasizes the growing significance of online order facilities and home deliveries, catering to the demands of modern, busy lifestyles. However, it underscores the need for a robust customer feedback system in all retail stores to consistently gauge opinions about products and services, addressing any gaps effectively. While certain parameters show moderate satisfaction, they also provide a clear opportunity for continuous improvement in processes, ultimately leading to enhanced customer satisfaction and retention. Finally, this research contributes valuable insights into the dynamics of customer satisfaction in Tier-III cities, providing a foundation for retail operators to adapt and tailor their strategies to meet the evolving needs and expectations of customers in these emerging markets.

Disclosure of Interest

No Conflict of Interest

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Data Availability Statement

The authors confirm that the data supporting the findings of this study are available within the article [and/or] its supplementary materials.

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