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Impact of Service Quality Determinants on Healthy Customer Relationship

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ABSTRACT

Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008, p.172). The relevance of service quality to companies is emphasized here especially the fact that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction. The concept of "healthy customer relationship" in the context of perishable retail shopping extends beyond simple transactional satisfaction to encompass dimensions of trust, commitment, and mutual benefit that transcend national boundaries.The present study, investigates the *Impact of Service Quality Determinants on Healthy Customer Relationship* aiming to provide insights for both organized and unorganized retailers to enhance retention and competitiveness in this vital segment of the Indian retail economy. The study was conducted in selected districts of Western Uttar Pradesh, namely Meerut, Shamli, Muzaffarnagar, Ghaziabad, and G. B. Nagar. The study is primarily restricted to urban and semi-urban areas selected urban and semi-urban areas in Western Utter Pradesh, India.

The results of this study indicate that service quality, measured through responsiveness, reliability, assurance, and empathy, has a significant positive impact on customer trust and overall Healthy Customer Relationship (HCR). the study underscores that healthy customer relationships in perishable retailing are driven by a combination of service quality, product freshness, hygiene, pricing fairness, store environment, communication, and retailer behaviour.

Key Words-Service Quality, Retail, Healthy Customer Relationship

Impact of Service Quality Determinants on Healthy Customer Relationship

The Indian retail sector, particularly for household perishable items like fresh produce, dairy, and groceries, has undergone rapid transformation, driven by urbanization, rising disposable incomes, and the expansion of organized retail and e-commerce. In 2025, India's grocery market was valued at over USD 552 billion in the offline segment alone, with projections for a 9% CAGR through 2030, fueled by quick-commerce platforms handling time-sensitive perishables. This growth underscores the critical role of customer relationship management (CRM) in fostering loyalty amid intense competition from unorganized kirana stores and modern chains (Prasad& Aryasri, 2008) . India's retail landscape is predominantly unorganised, with millions of small neighborhood vendors, kirana stores, and wet market traders forming the backbone of perishable food distribution, particularly in rural and semi-urban areas. However, the past two decades have witnessed significant growth in organized retail formats, including supermarkets, hypermarkets, and online grocery platforms, creating a dynamic and competitive environment for perishable item retailing.

Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008, p.172). The relevance of service quality to companies is emphasized here especially the fact that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction. Service researchers have suggested that consumers judge the quality of services based on their perceptions of the technical outcome provided, the process by which that outcome was delivered, and the quality of the physical surroundings where the service is delivered (Brady & Cronin Jr., 2001).Scientists have developed a number of models to measure service quality. Some of them are universally acceptable and more used by scholars. Five major models of service quality - Nordic Model, Gap model of service quality, SERVQUAL, SERVPERF and Hierarchical model. In the present study, SERVQUAL model has been used.

The concept of "healthy customer relationship" in the context of perishable retail shopping extends beyond simple transactional satisfaction to encompass dimensions of trust, commitment, and mutual benefit that transcend national boundaries. Specifically, emotional experience most strongly influences customer satisfaction, whereas functional experience most strongly influences customer trust, suggesting that retailers across markets must cultivate multiple dimensions of the customer experience to foster relationship health (Qi et al., 2025).

The present study, therefore, investigates the *Impact of Service Quality Determinants on Healthy Customer Relationship* aiming to provide insights for both organized and unorganized retailers to enhance retention and competitiveness in this vital segment of the Indian retail economy.

STATEMENT OF THE PROBLEM

Household perishable items form the backbone of daily retail shopping in India, accounting for a significant portion of FMCG spending, especially in semi-urban and rural areas where growth outpaces urban markets. The sector faces unique dynamics due to short shelf lives, supply chain vulnerabilities, and consumer demands for freshness, prompting retailers to adopt CRM strategies for personalized service, inventory optimization, and waste reduction. Indian scholars have contributed substantially to this domain; for instance, Parvatiyar and Seth (2001) emphasized the need for integrated customer knowledge to sustain long-term partnerships in emerging markets like India.

RESEARCH QUESTIONS

1. How does service quality (reliability, responsiveness, assurance, and empathy) influence Healthy Customer Relationship in perishable retail stores?
2. Does customer satisfaction mediate the relationship between operational retail factors (freshness, pricing, service quality) and customer loyalty?

OBJECTIVES OF THE STUDY

- To examine the determinants influencing the development and sustainability of healthy customer relationships in retail shopping of household perishable items, with specific emphasis on service quality.
- To examine the impact of service quality dimensions on customer trust in perishable retail stores.

SIGNIFICANCE OF THE STUDY

The present study holds substantial significance for multiple stakeholder groups within the Indian context, offering contributions that extend across academic, managerial, and policy domains. By systematically examining the determinants of healthy customer relationships in the context of retail shopping for household perishable items in India, this research addresses critical knowledge gaps while

providing actionable insights for practitioners and policymakers navigating the complex and dynamic Indian retail landscape.

LIMITATIONS OF THE STUDY

- The study is primarily restricted to urban and semi-urban areas selected urban and semi-urban areas in Western Utter Pradesh, India.
- The sample comprises household shoppers from middle- and upper-middle-income groups who regularly purchase perishables.
- The study depends on respondents' self-reported perceptions via structured questionnaires, which may be subject to common method bias.

RESEARCH HYPOTHESIS-

- **Ho**-Service quality doesn't have a significant positive effect on Healthy Customer Relationship.
  H1- Service quality has a significant positive effect on Healthy Customer Relationship.
- **Ho**-Customer satisfaction doesn't mediate the relationship between Service Quality and Healthy Customer Relationship.
  H1-Customer satisfaction mediates the relationship between Service Quality and Healthy Customer Relationship.

REVIEW OF LITERATURE-

• **Koner, Roy, and Dewangan (2021)** investigated how retail store attributes including *service quality* and *store atmospherics* influence customer satisfaction in the Indian organized retail context. The study recommended that Indian retail managers strategically invest in service training, visual merchandising, and store design improvements to enhance customer experience and foster healthier customer relationships.

• **Ramesh and Mohanty (2020)** investigated how service quality dimensions tangibles; reliability, responsiveness, assurance, and empathy affect *customer satisfaction and loyalty intentions* in retail fresh food shopping. The study concluded that *service quality* is fundamental to building healthy customer relationships in perishables retail because customers rely on service cues to evaluate product trustworthiness and store credibility.

• **Shibu and Gopinath (2020)** examined how service quality dimensions including *store ambience, employee interaction quality, product availability, price fairness,* and *checkout speed* influence customer satisfaction in organised retail outlets in Madurai, India. The study recommended that retail managers pay close attention to *store environment*, *employee behavior*, and *fair pricing practices*, as these significantly influence satisfaction and long-term customer loyalty critical elements of Healthy Customer Relationship.

• **Sharma, Garg and Batra(2020)** Concluded that Service quality is an important tool for measurement of patient satisfaction in both public and private hospitals. It helps to understand the strength and weaknesses in the services provided by the hospitals. It is suggested that Hospitals should concentrate on patient satisfaction towards the service quality and invest more in training the professional competence communication skills and problem-solving abilities of the medical staff rather than buying more machines which may help hospitals to succeed in competitive environment.

• **Gaur and Agrawal (2006)** explored the effect of store image and service quality on customer relationship perceptions in Indian retail contexts. The authors recommended that Indian retail managers invest in store layout optimization, employee training programs, and service quality enhancements to foster trust and long-term customer commitment.

• **Sureshchandar et al. (2002)** examined service quality and customer satisfaction linkages in Indian service settings, including retail stores. The study adopted a cross-sectional survey design and used SERVQUAL dimensions to measure perceptions.

RESEARCH METHODOLOGY-The research encompassed organized supermarkets, grocery chains, and traditional kirana stores to capture variations in service delivery and relational practices. A quantitative research strategy was adopted.

RESEARCH DESIGN-The present study adopts a descriptive and explanatory research design. The descriptive component was used to describe customer perceptions regarding various determinants of service quality. The study follows a quantitative research approach, as structured questionnaires were used to collect numerical data which were subsequently analyzed using statistical techniques.

POPULATION AND SAMPLE SIZE OF THE STUDY-The population of the study consists of customers who regularly purchase household perishable items from retail outlets within the selected

research area. Only customers aged 18 years and above were considered eligible for participation. The population is heterogeneous in terms of demographic characteristics such as age, gender, income, education level, and shopping frequency. A final sample size of approximately 750 respondents was targeted for the study. From each district a sample of 150 buyers was taken as respondents.

DATA ANALYSIS-The study was conducted in selected districts of Western Uttar Pradesh, namely Meerut, Shamli, Muzaffarnagar, Ghaziabad, and G. B. Nagar. A total of 750 questionnaires were distributed among respondents across these districts. Out of these, 704 questionnaires were found complete and suitable for analysis, while the remaining were excluded due to incomplete or inconsistent responses.

SERVICE QUALITY DETERMINENTS

1-Tangibility

Table 1: Response of Respondents on Clean & Visually Appealing Facilities

Score Level	Frequency	Percentage
Strongly Disagree	30	4.26
Disagree	50	7.10
Neutral	100	14.20
Agree	300	42.61
Strongly Agree	224	31.82
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

Table 1 show that the majority of respondents hold a positive opinion about the physical appearance and cleanliness of the facilities. Overall, the findings suggest that most respondents are satisfied with the tangible aspects of service quality, particularly the cleanliness and visual appeal of the facilities.

Table 2: Response of Respondents on Attractive & Well-Organized Display

Score Level	Frequency	Percentage
Strongly Disagree	25	3.55
Disagree	45	6.39
Neutral	110	15.63
Agree	310	44.03

Strongly Agree	214	30.40
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

The data suggest that most customers perceive the stores as maintaining well-organized and visually attractive displays. This reflects that careful attention to layout and presentation contributes significantly to customer satisfaction and reinforces the role of tangibility in service quality.

2- Reliability

Table 3: Response of Respondents on Store Provides Fresh Products as Promise

Score Level	Frequency	Percentage
Strongly Disagree	20	2.84
Disagree	40	5.68
Neutral	90	12.78
Agree	330	46.88
Strongly Agree	224	31.82
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

The findings suggest that the majority of customers perceive the store as reliable in fulfilling its promise of providing fresh products. This positive evaluation strengthens customer confidence and reinforces the importance of reliability as a key component of service quality.

Table 4: Response of Respondents on Store Delivers Consistent Quality in Perishable Items

Score Level	Frequency	Percentage
Strongly Disagree	22	3.13
Disagree	38	5.40
Neutral	95	13.49
Agree	325	46.17
Strongly Agree	224	31.82
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

Table 4 the results suggest that the majority of customers perceive the store as reliable in delivering consistent quality in perishable items. This positive evaluation strengthens customer trust and enhances overall service quality perception.

3-Responsiveness

Table 5: Response of Respondents on Employees are willing to Help

Score Level	Frequency	Percentage
Strongly Disagree	18	2.56
Disagree	35	4.97
Neutral	80	11.36
Agree	340	48.30
Strongly Agree	231	32.81
Total	**704**	**100.00**

Results demonstrate that employees' willingness to help is a strong aspect of service quality, positively influencing customer satisfaction and enhancing the overall shopping experience.

Table 6: Response of Respondents on Complaints are Handled quickly and effectively

Score Level	Frequency	Percentage
Strongly Disagree	20	2.84
Disagree	40	5.68
Neutral	90	12.78
Agree	330	46.88
Strongly Agree	224	31.82
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

Table 6 presents respondents' perceptions regarding how quickly and effectively complaints are handled, which reflects the responsiveness dimension of service quality. Overall, the results suggest that the majority of customers perceive the store as responsive in handling complaints, which enhances trust, strengthens customer relationships, and contributes positively to overall service quality.

4-Assurance

Table 7: Response of Respondents on Employees are Knowledgeable About the Products

Score Level	Frequency	Percentage
Strongly Disagree	15	2.13
Disagree	30	4.26
Neutral	85	12.08
Agree	340	48.30
Strongly Agree	234	33.24
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

Table 7 presents respondents' perceptions regarding employees' knowledge about the products, which represents the assurance dimension of service quality.

Table 8: Response on I Feel Safe Purchasing Perishable Items from this Store

Score Level	Frequency	Percentage
Strongly Disagree	12	1.70
Disagree	28	3.98
Neutral	80	11.36
Agree	350	49.72
Strongly Agree	234	33.24
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

Table 8 presents respondents' perceptions regarding their sense of safety while purchasing perishable items, which is an important aspect of the assurance dimension of service quality.

5-Empathy

Table 9: Response of Respondents on the Store Gives Personal Attention to my Needs

Score Level	Frequency	Percentage
Strongly Disagree	18	2.56
Disagree	32	4.55
Neutral	80	11.36

Agree	350	49.72
Strongly Agree	224	31.82
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

Table 9 results suggest that empathy is a strong component of service quality in the store. Providing personal attention enhances customer satisfaction, strengthens emotional connection, and contributes positively to building long-term customer relationships.

Table 10: Response of Respondents on the Staff Understands my Specific Preferences

Score Level	Frequency	Percentage
Strongly Disagree	22	3.13
Disagree	40	5.68
Neutral	90	12.78
Agree	325	46.17
Strongly Agree	227	32.25
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

Table 10 presents respondents' perceptions regarding whether the staff understands their specific preferences, which reflects the empathy dimension of service quality.

Table 11: Consolidated Response of Respondents on Service Quality

Score Level	Frequency	Percentage
Strongly Disagree	20	2.84
Disagree	38	5.40
Neutral	90	12.78
Agree	330	46.88
Strongly Agree	226	32.10
Total	**704**	**100.00**

Source: Primary Data Analysis, 2025

Table 11 presents the consolidated responses of respondents regarding overall service quality.the results suggest that service quality is perceived positively by the majority of customers. The strong agreement

levels reflect effective performance across various dimensions such as tangibility, reliability, responsiveness, assurance, and empathy. This positive evaluation strengthens customer satisfaction and supports the development of healthy customer relationships.

HYPOTHESIS TESTING

- **Ho**-Service quality doesn't have a significant positive effect on Healthy Customer Relationship.
- **H1**- Service quality has a significant positive effect on Healthy Customer Relationship.

Table 12: Model Summary of Regression Analysis Showing the Impact of Service Quality on Customer Satisfaction

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.78	0.61	0.61	0.55

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	332.94	1	332.94	1095.12	0.000
Residual	213.16	702	0.30		
Total	546.10	703			

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	1.29	0.09	—	14.33	0.000
Service Quality	0.72	0.02	0.78	33.09	0.000

Source: Primary Data Analysis, 2025

The regression analysis presented in Table 12 shows an R value of 0.78, indicating a strong positive correlation between service quality and customer satisfaction. The t-value of 33.09 and p-value of 0.000 confirm the effect is highly significant. Hence alternative hypothesis H_1 is accepted. The analysis confirms that service quality has a strong and significant positive effect on customer satisfaction in the retail shopping of household perishable items.

- **Ho**-Customer satisfaction doesn't mediate the relationship between Service Quality and Healthy Customer Relationship.
- **H1**-Customer satisfaction mediates the relationship between Service Quality and Healthy Customer Relationship.

Table 13: Mediation Analysis of Customer Satisfaction between Service Quality and Healthy Customer Relationship-HCR (N = 704)

Path	Relationship	β	t-value	Sig.	Result
c	Service Quality → HCR (Total Effect)	0.92	62.84	0.000	Significant
a	Service Quality → Customer Satisfaction	0.94	72.15	0.000	Significant
b	Customer Satisfaction → HCR	0.80	38.42	0.000	Significant
c’	Service Quality → HCR (Direct Effect)	0.21	8.96	0.000	Reduced but Significant
a × b	Indirect Effect	0.75	—	—	Partial Mediation
Sobel test	Z-value	**33.63**	—	0.000	Significant

Source: Primary Data Analysis, 2025

The mediation analysis indicates that Service Quality has a strong and statistically significant positive effect on Healthy Customer Relationship ($\beta = 0.92$, $t = 62.84$, $p < 0.001$), establishing the total effect (path c). This finding suggests that improvements in service quality directly enhance healthy customer relationships. Therefore, it is concluded that Customer Satisfaction partially mediates the relationship between Service Quality and Healthy Customer Relationship. Since the direct effect remains significant but is considerably reduced after including the mediator, partial mediation is established. Hence, H_0 is rejected and H1is accepted.

FINDINGS-The results of this study clearly indicate that service quality, measured through responsiveness, reliability, assurance, and empathy, has a significant positive impact on customer trust and overall Healthy Customer Relationship (HCR). These findings are consistent with Parasuraman, Zeithaml, and Berry’s SERVQUAL framework, which posits that higher service quality generates trust and satisfaction *(Parasuraman et al., 1988).* this study corroborates existing evidence but refines the context by emphasizing the heightened relevance of these dimensions in perishable goods retail.

CONCLUSION-In conclusion, the study underscores that healthy customer relationships in perishable retailing are driven by a combination of service quality, product freshness, hygiene, pricing fairness, store environment, communication, and retailer behaviour. Customer satisfaction and trust act as critical mediators, facilitating the translation of operational and behavioral inputs into loyalty and long-term commitment.

SUGGESTIONS-Service quality should be enhanced by ensuring prompt responsiveness to customer queries, complaints, and requests. Regular assessment of customer feedback is recommended to identify and address service gaps.

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