

# A Comparative Study of Customer Satisfaction in Organized v/s Unorganized Retail Sector

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**Abstract:** *This research focuses on customer satisfaction in the organized and unorganized retail sectors, using the SERVQUAL model. The study explores the gap between expected and perceived service quality in five dimensions: tangibility, reliability, responsiveness, assurance and empathy. A questionnaire was administered to 100 respondents. The research uses gap analysis and independent sample t-test to measure the service quality differences. The results show that organized retail outperforms unorganized retail in service quality, infrastructure and technology, while unorganized retail is superior in personal interaction and convenience. The findings show a statistically significant gap between the two retailers, which suggests that there is a need for service improvement and technology in the unorganized retail sector and more personalization in the organized retail sector. Customer satisfaction is a crucial determinant of business success, influencing customer retention, loyalty, and overall organizational performance. It reflects how well products or services meet or exceed customer expectations. Studies indicate that satisfaction levels are shaped by factors such as service quality, convenience, accessibility, and perceived value (Chavhan & Husain, 2023) . In service-oriented sectors, elements like reliability, comfort, safety, and timely delivery significantly impact customer satisfaction (Girjapure & Husain, 2024) . Organized sectors typically offer standardized services, better infrastructure, and consistent quality, while unorganized sectors rely more on personalized interactions and flexibility. However, customer perceptions vary depending on expectations, awareness, and service experience. Therefore, comparing satisfaction levels between organized and unorganized sectors becomes essential to understand consumer preferences and improve service delivery strategies...*

**Keywords:** Customer Satisfaction, SERVQUAL, Organized Retail, Unorganized Retail, GAP Analysis, Service Quality, t-Test, P-E Gap, Khamgaon, India

## I. INTRODUCTION

Retail is amongst the fastest growing industries and is a key driver of the economy. India's retail sector is a combination of formal and informal retail outlets like malls, supermarkets, branded outlets, kirana stores, street vendors and local shops.

For both types of retailers, customer satisfaction is key to business success. To succeed in a competitive market, retailers must offer satisfying services. The SERVQUAL model is a frequently used measure of service quality, which compares customer expectations with perceptions.

### 1.1 Objectives of the Study

#### Primary Objectives:

- To assess and compare the level of satisfaction in organized and unorganized retail
- To determine major drivers of satisfaction including service quality, price and convenience
- To study differences in expectations and perceptions
- To assess impact on loyalty



**Secondary Objectives:**

- To examine the impact of demographics
- To make improvements suggestions

**1.2 Scope of the Study**

The current study is restricted to Khamgaon in Buldhana District, Maharashtra, India - a semi-urban market that is typical of the Indian Tier III retail market. The scope includes both formal (department stores, grocery stores, supermarkets, hypermarkets like DMart and Reliance Smart Bazaar) and informal (kirana, local grocery shops, street vendors and local markets) retail formats.

The study includes five dimensions of SERVQUAL service quality in grocery and apparel retail. The time period is 2025-26. The study is based only on primary data from 100 respondents through a survey questionnaire, and the results are applicable to the socioeconomic and cultural environment of the Khamgaon market. The research does not include online or e-commerce retail formats, or back-end retail operational and supply chain issues.

Scope Parameter	Details
Geography	Khamgaon Region, Buldhana District, Maharashtra, India
Retail Formats	Organized (Supermarkets, Hypermarkets) & Unorganized (Kirana, Local Shops)
Framework	SERVQUAL Model - 5 Dimensions (Tangibility, Reliability, Responsiveness, Assurance, Empathy)
Sample Size	100 Respondents (n=7 Organized, n=54 Unorganized, n=39 Both)
Time Period	Academic Year 2025-26
Exclusions	E-commerce, online retail, back-end operations

*Table 1: Scope Parameters of the Study*

**1.3 The SERVQUAL Model**

The SERVQUAL model, proposed by Parasuraman, Zeithaml and Berry (1988), is a multi-item scale that measures the gaps in service quality between customer expectations and perceptions. Service quality in the model is defined in five dimensions:

**Tangibility:** Appearance of physical facilities, equipment, personnel and communication materials.

**Reliability:** Ability to perform the promised service dependably and accurately.

**Responsiveness:** Willingness to help customers and provide prompt service.

**Assurance:** Knowledge and politeness of employees and their ability to inspire confidence and trust.

**Empathy:** Caring, individualized attention the firm provides to its customers.

The GAP score according to the model is:  $GAP (P-E) = Perception Score - Expectation Score$ . If it is a negative gap, it means that customers expectations are higher than their perceptions, hence a service quality problem. A positive gap suggests perceptions are higher than expectations, implying higher service quality.

**II. THEORETICAL LINK :- SERVQUAL AND CUSTOMER SATISFACTION**

SERVQUAL offers the theoretical foundation for quantifying perceptions of service quality, which is a predictor of customer satisfaction and post-consumption behaviours such as repurchasing and loyalty. The five dimensions of the model comprehensively represent the customer's view of the service experience, making it ideal for the retail environment where the physical (tangibility) and the personal (empathy, assurance) aspects of service are important.



### 2.1 Conceptual Review

This study is grounded in the SERVQUAL model (Parasuraman et al., 1988), which measures service quality as the Perception-Expectation (P-E) gap across five dimensions i.e Tangibility, Reliability, Responsiveness, Assurance, and Empathy. Customer satisfaction, as defined by Kotler & Keller (2016), is treated as perceived performance relative to expectations. These concepts are applied comparatively to organized and unorganized Indian retail formats to identify and statistically validate service quality differentials.

### 2.2 Expectations and Perception in the Indian Retail

Indian consumers have a mixed set of expectations influenced by both retail and cultural factors. Consumers of organized retail demand standardization, cleanliness, variety of merchandise and electronic payments. Unorganized retail consumers expect convenience, relationship, credit, and bargaining ability. Using SERVQUAL, this unique retail environment allows an assessment of how well each format meets customer expectations of service quality.

## III. LITERATURE REVIEW

### 3.1 Retail Customer Satisfaction: International Insights

Philip Kotler & Keller (2016) in Marketing Management (15th ed.) set out the case that customer satisfaction is the key to marketing strategy. The authors defined satisfaction as a combination of perceived performance and expectations, and stated that companies must consistently meet or exceed expectations to be able to retain customers and increase sales. This is reflected in the current study's measure of P-E gaps.

Zeithaml, Bitner & Gremler (2018) in Services Marketing: Integrating Customer Focus Across the Firm further highlighted the role of service quality as a driving factor of customer satisfaction. They observed that service gaps are caused by the mismatch between customer expectations and the perceptions of management, service specifications and service delivery - all of which are measured in this study using the SERVQUAL framework.

### 3.2 SERVQUAL and Retail Service Quality

SERVQUAL is a 22-item scale measuring service quality and it was developed by Parasuraman, Zeithaml & Berry (1988), published in the Journal of Retailing. Their pioneering research set the basis for measuring service quality as the difference between what is perceived and what is expected. This tool has been widely tested across the service sector and provided the basis for the present study.

In their Journal of Marketing paper, Parasuraman, Zeithaml & Berry (1985) conceptualised service quality and identified four provider gaps causing customer dissatisfaction. This foundation supports the proposition of the present study that unorganized retail has a general deficiency of service quality that can be quantified using the P-E gap model.

### 3.3 Studies on Indian Retail Industry

According to India Brand Equity Foundation (IBEF, 2024), organized retail accounts for about 15 percent of the total retail market share in India and is expected to grow to 18 percent by 2025. According to the report, although organised retail has grown due to urbanisation and shifting consumer patterns, unorganised retail is still the major player due to its proximity and cultural fit. These broad-level insights frame the present study's micro-level satisfaction analyses from Khamgaon.

Kothari, C.R. (2004) Research Methodology: Methods and Techniques provided the methodological underpinning for the current study's research design - which adopted structured questionnaires, Likert scale(s) and statistical hypothesis testing. His approaches provided the basis for sampling design and data analysis procedures in the research.

## IV. RESEARCH METHODOLOGY

The study uses a **descriptive and analytical research design** to compare customer satisfaction levels.]



#### 4.1 Research Design

The research design is descriptive-analytical, using a quantitative primary survey. The study is cross-sectional, measuring customer satisfaction during the academic year 2025-26. The SERVQUAL model provides the theoretical model and measuring instrument.

#### 4.2 Sampling Design

The population for this study consisted of customers of retail stores in Khamgaon, Buldhana District, Maharashtra. Convenience sampling design was used, with a sample size of 100. According to strict sector classification, a total of 7 customers strictly patronizing an organized retail were included in the final sample for analysis, along with 54 and 39 customers of an unorganized retail and both types of retail format, respectively as shown Table 2.

Retail Category	Sample Size (n)	% of Total
Organized (Strict)	7	7%
Unorganized (Strict)	54	54%
Both Formats	39	39%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Table 2: Sampling Design(Retail Category, Sample Size (n), % of Total)*

#### 4.3 Data Collection Instrument

The major data collection instrument was the questionnaire based on the SERVQUAL model. The questionnaire was divided into five sections: (A) Personal & Demographic Details, (B) SERVQUAL Dimensions - Expectations and Perceptions (Likert scale 5 points), (C) Key Satisfaction Factors (Price, Convenience, Relationship), (D) Customer Loyalty & Re-Purchase Decisions, and (E) Recommendations for Retailers & Policymakers (open-ended). The questionnaire was online using Google Forms and Microsoft Forms.

#### 4.4. Research Instrument

The questionnaire includes four key components covering demographics, SERVQUAL dimensions, satisfaction factors, key satisfaction factors i.e Price, Convenience & Relationship, Customer loyalty & Purchase Decisions , Recommendations for Retailers & Policymakers.and open-ended questions to capture both quantitative and qualitative customer insights.

#### 4.5. Tools Used

The study employs three primary statistical tools: GAP Analysis (P-E) to measure the difference between customer perceptions and expectations, Mean and Standard Deviation to assess central tendency and variability of responses, and the Independent Sample t-test to statistically validate differences between the two retail sectors.

#### 4.6. HYPOTHESIS

The study tests two hypotheses: the null hypothesis ( $H_0$ ) states that there is no significant difference between organized and unorganized retail, while the alternative hypothesis ( $H_1$ ) states that a significant difference exists between the two retail formats.

### V. DATA ANALYSIS AND INTERPRETATION

The study applies SERVQUAL gap analysis.

Key Observations:

Organized retail shows **positive/less negative gaps** Whereas Unorganized retail shows **higher negative gaps** .Some Major gaps observed in were Empathy and Responsiveness

Key Satisfaction Factors Analysis



Price Fairness: 85% of respondents found prices reasonable; 89% found discounts beneficial. Organized retail is valued for systematic pricing; unorganized retail for bargaining flexibility. Convenience: 85% rated store location as convenient; 87% approved operating hours. Unorganized retail excels in proximity (59% within 500 m), while organized retail draws through product variety and ambience. Relationship Management: 83% identified staff as friendly; 86% felt stores value long-term relationships. Overall Satisfaction: 88% reported overall satisfaction (68% Agree, 20% Strongly Agree); 79% plan continued patronage; 82% cited past experience as the primary repurchase driver. Customer Loyalty: 85% choose their format based on trust; 89% willing to recommend their store to others.

#### **Hypothesis t-test Result :**

The independent samples t-test yielded a calculated t-value of 5.923, with a t-critical value of  $\pm 2.3420$  (from the t-table) and a p-value of 0.0006, which is less than 0.05. Since the calculated t-value (5.923) exceeds the critical value (2.3420), the result is statistically significant. Accordingly,  $H_0$  is rejected and  $H_1$  is accepted, confirming that a statistically significant difference exists between customer satisfaction levels in organized and unorganized retail sectors.

**As ,Calculated t-value = 5.923**

**t<sub>critical</sub> =  $\pm 2.3420$  ( from t table )**

**p-value = 0.0006 (< 0.05)**

Therefore , Result is statistically significant

**t<sub>calculated</sub> = 5.923 > t<sub>critical</sub> = 2.3420**

**Reject  $H_0$**

**Accept  $H_1$**

#### **Findings :-**

The analysis reveals that organized retail records higher customer satisfaction overall, while unorganized retail consistently fails to meet customer expectations as evidenced by negative gap scores across all SERVQUAL dimensions. Organized retail demonstrates clear superiority in infrastructure and service systems, whereas unorganized retail holds a competitive advantage in personal relationships with customers and price flexibility. Technology adoption remains critically lacking in unorganized retail formats, and convenience of location continues to be the primary driver of unorganized retail preference. Overall, the study confirms that a statistically significant difference exists between the two retail sectors in terms of service quality and customer satisfaction.

## **VI. RECOMMENDATIONS**

Recommendations for Organized Retailers

**Improve Responsiveness:** Reduce checkout time, increase staff during peak hours, and ensure timely assistance to customers to address the marginal Responsiveness gap.

**Enhance Personalization (Empathy):** Implement employee training programs for personalized service delivery and develop customized recommendation systems to maintain the positive Empathy gap.

**Maintain Competitive Pricing:** Offer transparent pricing, frequent discounts, and locally aligned price points to sustain the 85% price satisfaction rate.

**Strengthen CRM:** Develop customer loyalty programs, collect systematic feedback, and use CRM tools to understand and anticipate customer needs.

**Address Tangibility Gaps:** Invest in upgrading physical facilities, store ambience, and product display arrangements to close the -0.30 Tangibility gap.

Recommendations for Unorganized Retailers

**Enhance Store Atmosphere:** Maintain cleanliness, improve product arrangement, and invest in basic infrastructure to address the critical Tangibility deficit (-0.63).



**Adopt Basic Technology:** Implement digital payment systems (UPI, cards), basic inventory management, and digital billing to address customer technology expectations.

**Improve Reliability:** Maintain consistent stock availability, implement alternative product offerings during stock-outs, and ensure accurate billing.

**Develop Service Quality:** Prioritize courteous staff behavior, minimize waiting time, and focus on customer problem resolution to reduce the Responsiveness gap.

**Introduce Value-Added Services:** Offer home delivery, flexible credit facilities, and WhatsApp/phone-based ordering to compete with organized retail's convenience advantages.

Recommendations for Policymakers

Provide government support and financial incentives for unorganized retailers to modernize infrastructure, adopt digital payments, and upgrade service quality (supported by 85% of respondents).

Develop skill-building and digital literacy programs specifically targeting small retailers in semi-urban markets.

Create policy frameworks that balance fair competition between organized and unorganized retail formats to protect livelihoods while enabling market evolution.

Establish consumer protection schemes ensuring fair pricing, transparent billing, and quality standards across both retail formats.

## VII. CONCLUSION

The study concludes that both retail formats have their strengths. Organized retail performs better in service quality, infrastructure, and technology, while unorganized retail remains strong in convenience and customer relationships.

However, SERVQUAL gap analysis indicates that customer expectations are not fully met in either sector, especially in unorganized retail. The hypothesis testing confirms a significant difference in satisfaction levels.

For future growth, a hybrid approach combining technology with personalized service is essential for improving customer satisfaction and achieving sustainable development in the retail sector.

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