
CONSUMER PERCEPTIONS OF SUPERMARKET SERVICE QUALITY: SCALE DEVELOPMENT, MEASUREMENT AND VALIDATION

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Thesis submitted in the Department of Business Management of Potchefstroomse Universiteit vir Christelike Hoër Onderwys in fulfilment of the requirements for the degree Philosophiae Doctor (Economic and Management Sciences).

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TO WHOM IT MAY CONCERN

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DECLARATION

I declare that:

"Customer perceptions of supermarket service quality: scale development, measurement and validation"

is my own work, that all the sources used or quoted have been indicated and acknowledged by means of complete references, and that this thesis has not previously been submitted by me for a degree at any other university.



M. Dhurup

October 2003.

ACKNOWLEDGEMENTS

I would like to express my gratitude to the under-mentioned persons without whose assistance the research would not have been possible.

- ❑ To God for giving me the power and strength to complete this thesis.
- ❑ To my late parents who have instilled in me the value of education.
- ❑ Professor P F Venter and Dr. P. J. van Schalkwyk for their continued support, inspiration and encouragement throughout my research.
- ❑ Professor M. Mahabir (Dean of the Faculty of Management Sciences at the Vaal Triangle Technikon) and Mr. J. Surujlal (Lecturer in the Faculty of Management Sciences) for preliminary editing of the questionnaire and focus group interviews.
- ❑ Mr. M. Balkissoon (language specialist) for the initial editing of the draft chapters in the thesis.
- ❑ Mr. Yegash Naidu for the preparation of the graphs and tables.
- ❑ Mrs. S Mahlangu for the final layout of the typed manuscript.
- ❑ My family and friends for their continued support and encouragement throughout my period of study.
- ❑ Management and staff of the National Chain store for granting permission to conduct the survey in the Vaal Triangle.
- ❑ All participants in the focus group interviews who have taken time to participate in the interviews.
- ❑ All respondents who honestly and reliably answered the questionnaires.
- ❑ Staff of the Goldfields Library – Vaal Triangle Technikon.
- ❑ Ms. A Oosthuyzen (Potchefstroomse Universiteit vir Christelike Hoër Onderwys Vaal Triangle Campus) for her professional assistance in respect of the analysis of the completed research questionnaires.

M. Dhurup
Vanderbijlpark
2003

OPSOMMING

VERBRUIKERSPERSEPSIES VAN DIE DIENSKWALITEIT VAN SUPERMARKTE SKAALONTWIKKELING, METING EN GELDIGHEID

SLEUTELBEGRIPE: Dienskwality, kliëntebevrediving, meting, betroubaaryheid, geldigheid, supermarkte, faktoranalise.

Daar is gedurende die afgelope dekade heelwat navorsing gedoen oor verbruikerpersepsies in die sogenaamde suiwer dienste, maar baie min aandag is gegee aan die kleinhandelsdienste wat geassosieer word met die bemarking van goedere. In onlangse jare het die dienskwalitydebat baie aandag gekry, asook nadere ondersoeke in die kleinhandel. Gevolglik is dit geensins verbasend dat firmas aansienlike hulpbronne daaraan wy om die dienskwality te meet en om kliëntebevrediving te hanteer nie.

Die navorsing was primêr daarop gerig om 'n konsepsuele model van dienskwality binne die supermarkkonteks te ontwikkel. Die navorsing word ondersteun deur 'n literatuurstudie t.o.v. die bemarking van dienste, dienskwality, diensondervinding en gevestigde kwalitytsmodelle. Vier sentrale vrae is binne die studieraamwerk geformuleer en beantwoord.

- ❑ Watter dimensies gebruik verbruikers om die dienskwality van supermarkte te evalueer?
- ❑ Hoe betroubaar is die voorgestelde dienskwalitytskaal?
- ❑ Watter verhoudings kan waargeneem word tussen die voorgestelde dienskwalitytdimensies en toekomstige winkelklandisie?
- ❑ Watter verhoudings is waarneembaar tussen die voorgestelde dienskwality dimensies en globale dienskwality ?

Ten einde 'n metingsmodel vir die dienskwality of gehalte van supermarkte te ontwikkel en te valideer, is verkennende navorsing uitgevoer deur gebruik te maak van fokus-groep onderhoude, ten einde so ook aspekte te identifiseer wat belangrik is vir verbruikers en vir dienskwality. Dit het die navorser in staat gestel om 'n relatief akkurate maatstaf te verkry van verbruikers se persepsies van die diensgehalte van supermarkte. Gebaseer op die verkennende navorsing, is 'n veertig-item skaal opgestel vir die empiriese

studie. Die instrument is onderwerp aan 'n suiweringsproses deur verkennende faktor-analise.

Nie-waarskynlike monsterneming (oordeel en gerieflikheid) is gedoen terwyl gestruktureerde vraelyste getoets is op seshonderd-en-sewe verbruikers van drie winkels van 'n nasionale kettingwinkelgroep. Uiteindelik is 'n dertig-item skaal ontwikkel wat uit drie dimensies bestaan, naamlik betroubaarheid, atmosfeer en beleid. Addisionele bevestigingsanalise is onderneem ten einde vas te stel hoe die globale model sou pas in terme van die drie dimensies.

Empiriese getuienis dui daarop dat die betroubaarheid, atmosfeer en beleidsdimensies almal positief verband hou met verbruikerspersepsies t.o.v. globale diensgehalte. Betroubaarheid en atmosfeer skyn baie sterk voorspellers te wees van toekomstige winkelbesoekers en bevrediging. Beleid het egter nie voorgekom as 'n sterk voorspeller van toekomstige gedragintensies nie. Die empiriese getuienis stel dit ook, dat daar 'n kousale ordening van dienskwaliteit bestaan wat kliëntebevrediging beïnvloed.

Die bevindings suggereer dat die bestuur van supermarkte al drie die onderliggende dimensies behoort te inkorporeer, ten einde toegang tot hulle kliënte se evaluering van hulle dienste te verkry. Alhoewel dit moontlik is dat die relatiewe belangrikheid van elke dimensie en die veranderlikes binne elke dimensie mag verskil van een kleinhandelaar na die ander, is dit belangrik dat bestuurders hierdie komponente identifiseer t.o.v. die diens en dit wat 'n bydrae maak tot dienskwaliteit. Dit sal ook 'n bydrae sal maak tot hierdie persepsies en dan sal reflekteer ten einde beter diensgehalte-strategieë te ontwikkel.

Die bevindings van hierdie studie suggereer ook die noodsaaklikheid vir 'n meer omvattende studie om die model te bekragtig. Dit bied egter aan akademici 'n toepaslike kanaal, asook vir navorsers, om die voortgaande debat bevredigend te verken en daartoe by te dra t.o.v. die meting van die diensgehalte en verwantskappe daarvan.

ABSTRACT

CONSUMER PERCEPTIONS OF SUPERMARKET SERVICE QUALITY: SCALE DEVELOPMENT, MEASUREMENT AND VALIDATION

KEYWORDS: Service quality, customer satisfaction, measurement, reliability, validity, supermarkets, factor analysis.

During the last decade much research has been done on consumer perceptions in the so-called pure services with scant attention being devoted to the analysis of retail services associated with the marketing of goods. However, in recent years the service quality debate received much attention and closer examination in retailing. It is, therefore, not surprising that many firms spend substantial resources to measure service quality and manage customer satisfaction.

This research was undertaken primarily to develop a conceptual model of service quality within a supermarket context. The research is supported by a detailed literature study into the marketing of services, service quality, service encounters and established service quality models. Four central questions were formulated and answered by the study.

- ❑ What are the dimensions used by consumers to evaluate supermarket service quality?
- ❑ How reliable is the proposed service quality scale?
- ❑ What relationship can be observed between the proposed service quality dimensions and future store patronage?
- ❑ What relationships can be observed between the proposed service quality dimensions and overall service quality?

In order to develop and validate a measurement model for supermarket service quality, exploratory research was conducted using focus group interviews to establish aspects that could be important to consumers regarding service quality. This enabled the researcher to obtain a fairly accurate measure of consumers' perceptions of supermarket service quality. Based on the exploratory research, a forty-item scale was developed for the

empirical study. The instrument was then subjected to a scale purification process through exploratory factor analysis.

Non-probability sampling (judgement and convenience) was used and structured questionnaires were administered to six hundred and seven consumers from three stores of a national supermarket chain. A thirty-item scale was finally developed, which comprised three dimensions, namely reliability, atmospherics and policy. Confirmatory factor analysis was further undertaken in order to establish the overall model fit in terms of the three dimensions.

Empirical evidence suggests, that the reliability, atmospherics and policy dimensions are all positively associated with consumers' perceptions of overall service quality. Reliability and atmospherics emerged as strong predictors of future store patronage and satisfaction. However, policy did not emerge as a strong predictor of future behavioural intentions. Empirical evidence also suggests, that there is a causal ordering of service quality which influences customer satisfaction.

The findings suggest, that managements of supermarkets should incorporate all three underlying dimensions in order for them to access their customers evaluation of their service. Although it is probable that the relative importance of each dimension and variables within each dimension may vary from one retailer to another, it is important for managers to identify these components of the service which make a contribution to service quality and customer satisfaction. The service offering must, therefore, be designed by managers to reflect these perceptions in order to allow them develop better service quality strategies.

The findings in this study also suggest the need for a more extensive study so as to validate the model. However, it provides an avenue for academics and researchers to explore and contribute to the ongoing debate on the measurement of service quality and its relationship with customer satisfaction.

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CHAPTER

1

INTRODUCTION AND PROBLEM STATEMENT

1.1 INTRODUCTION

The retail industry remains one of the largest sectors in the global economy. In South Africa retailing is one of the toughest and most competitive industries. The South African retail business environment is becoming increasingly hostile and unforgiving, with intense competition from both domestic and foreign companies. It is vibrant and demanding and boasts extremely innovative and sophisticated components, particularly in the areas of finance and assets management. At the same time it grapples with a complex legacy of social and structural problems unique to South Africa (Terblanche, 1998:1).

In today's saturated retail market, retailers face increasing hurdles to attract and maintain customers. Heightened competition from other retailers and alternative retail formats, for example the Internet and catalogues have contributed to the situation (Reichheld *et al.*, 1990:104). Increased awareness of consumer rights has also led to greater expectations and demands by consumers (Metha *et al.*, 2000:01).

Within the retail industry, supermarkets are renowned for high level of competitive rivalry between various national chain stores. In order to address the unique needs of their customers and potential customers, managements of supermarkets are continuously challenged with the task of having to differentiate their service offering from that provided by their competitors (Evangelidis, 1994:5).

In South Africa supermarket retailing had a devastating effect on the traditional corner store. Chain store supermarkets have made great inroads in the retailing fields in the last twenty years (Farquhar, 2002:6). From an

almost exclusive focus on satisfying the needs of the more affluent white consumer, retailers had to change their marketing strategies in order to bring African consumers into their store. Driven by highly competitive management, the larger national chains are continuously fighting for market share and apply pressure on smaller, independent retailers. Survival will depend on astute marketing, building relationships and emphasizing the quality of services in meeting the changing needs of the consumer.

According to A.C. Nielsen's store census (Anon, 2002:16), major retail stores (including supermarkets and hypermarkets) are responsible for more than half of South Africa's turnover on groceries, toiletries and confectionery (GTC), yet they constitute only 2% of the stores selling these products. This constitutes 54,5% (R35,2 billion) of the total national sales of groceries, toiletries and confectionery. Amongst the major chain stores that contributed to sales were:

- ❑ Super Spar and Spar, who have the most outlets in South Africa, with 492 stores,
- ❑ Shoprite with 248 stores,
- ❑ Clicks with 228 stores,
- ❑ Pick 'n Pay supermarkets with 112 stores,
- ❑ Woolworths with 102 stores,
- ❑ Pick 'n Pay family stores with 87 stores,
- ❑ Checkers Hyperama with 92 stores, and
- ❑ Pick 'n Pay hypermarkets with 14 stores.

Whilst these sales figures may be very gratifying for the retailer, they pose many challenges, the most important of which is how to capture the biggest share of the disposable income of the South African household market.

There is also a general agreement that a basic retailing strategy for creating competitive advantage is the delivery of high service quality (Berry, 1986:3-6., Hummel & Savitt, 1988:05; Reichheld & Sasser, 1990:103; Sui & Cheung, 2001:88).

For a merchandise retailer, competitive success is now and will continue to be driven to a large extent by consumer perceptions of the quality of service. The demand for high quality customer service is on the increase, as consumers have become more value conscious and seek a hassle-free shopping atmosphere. Consumers are pressed against time to locate and wait for merchandise (Lewison, 1997:115). The modern shopper is more sophisticated and better informed, and retailers have little option but to provide certain services at a competitive level if they want to appeal to the consumer. Consumers now have also taken for granted certain services like parking or adjustments to merchandise, they expect prompt, courteous attention from salespeople and they expect to be able to return products they find unsatisfactory and without resistance from the retailer.

Studies (Parasuraman *et al.* 1988:12; Brown & Swartz, 1989:94; Metha *et al.* 2000:1) have shown that for competitive survival, retailers are focusing on areas in their operations that may give them an edge over their competitors.

Penstone and Codrington (2000:14) remark that there are many challenges that lie ahead for supermarkets. The age of the consumer is upon us. Consumers have more choice, more information and more influence than ever before. Consumers will make the decisions that will drive a retail business. Retailers need to be mindful of the old adage: a happy consumer tells three people, an unhappy consumer tells eleven. Marcus (1998:494) confirms that it costs five times more to gain a new consumer, than to keep an existing one, and ten times more to get a dissatisfied customer back.

Ghobadian *et al.* (1994:44) views service quality as a critical determinant of competitiveness. By focusing on service quality, retailers can differentiate themselves from other retailers in order to gain a competitive advantage. Thus monitoring and measuring retail service quality has become important. Retailers with perceived high quality of goods and services typically have higher market share, higher rate of investment on assets than companies perceived with low quality.

It is imperative to note that quality of service is determined by the consumers' perception and not by the perceptions of the providers of service (Bertrand, 1989:44; Boothe, 1990:69). It is crucial that customer requirements are determined and service delivery and outcomes are designed to meet these requirements.

Definitions of service quality focus on meeting customers' needs and requirements, and how well the service delivered matches the customers' expectations. The most relevant approach in defining and measuring service quality is the user-based approach, *i.e.* from the customer's perspective (Woodruffe, 1995:105). The human element forms an integral part in the offering of service. Keltner and Finegold (1996:57-58) assert that many service processes require the active involvement of the consumer of the service and the consumer therefore becomes involved as a co-producer of the service. In seeking quality service, customer needs and expectations may differ. For example, an elderly customer in a supermarket might appreciate a cashier who takes time to chat and who addresses a customer in a familiar way, while another might expect to be spoken to in a professional manner and the transaction to be completed as efficiently and quickly as possible.

The study therefore attempts to apply the best practices from service quality literature, the SERVQUAL scale (Parsuraman *et al.*, 1988:12-35) the Retail Service Quality Scale (DTR) (Dabholkar *et al.*, 1996:3016) and the CALSUPER scales (Vazquez *et al.*; 2001:1-14) in order to develop a multi-dimensional model to measure service quality in supermarkets in a South

African retailing context, using consumers from a renowned national supermarket chain.

1.2 PROBLEM STATEMENT

The interest in the measurement of service quality and the delivery of higher levels of service quality is a strategy that is increasingly being offered as a key to service providers' effort to position themselves effectively in the marketplace (Parasuraman *et al.*, 1988:41-50; Boschoff & Mels, 1994:14).

However, the problem inherent in the implementation of such a strategy has been clearly defined by several researchers, that service quality is an elusive and abstract construct that is difficult to define and measure (Brown & Swartz, 1989:84; Carmen, 1990:33-40; Parasuraman *et al.*, 1988:41-50). Measuring service quality poses difficulties for service providers because of its unique characteristics: intangibility, heterogeneity, inseparability and perishability (Bateson, 1995:30).

Furthermore, the improvement and measurement of service quality in retailing cannot be approached the same way as that of a service perspective (Metha *et al.*, 2000:41). The uniqueness of services offered by a retailer makes the use of scales developed for other services questionable.

Although the ground breaking SERVQUAL scale has been designed to measure service quality, it has been empirically tested in a number of studies, involving "pure" service settings. It has not been successfully adapted to and validated in a retail environment that offers a mix of merchandise and services such as departmental stores, hypermarkets and supermarkets (Dabholkar *et al.*, 1996:03).

A retail store experience involves more than a non-retail service experience in terms of consumers negotiating their way through the store, finding the merchandise they want, interacting with store personnel, returning merchandise, all of which influence consumers' evaluation of service quality.

Whilst the measure of service quality for pure service environments and for retail environments are likely to share some common dimensions of service quality, measures of retail service quality must capture additional dimensions (Sui & Cheung, 2001:88). Furthermore, it may well be that consumers use different criteria to evaluate competing goods retailers who sell a mix of goods and services than they use to evaluate retailers that are primarily or exclusively service firms (Vazques *et al.*, 2001:02).

Generalization of the dimensions of SERVQUAL across different types of retailers are questioned, by various researchers, (Rao & Kelkar, 1997:70., Cronin and Taylor, 1992:60; Carmen, 1990:38). With the line of argument in agreement with the above authors, Fienberg *et al.* (1995:62) also maintain that the lack of generalizability of services across different retail sectors in a domestic setting suggests that other evaluative dimensions may exist in retailing.

The problem addressed in this study is a need better to understand the attributes that are important for consumers in their evaluation of supermarket service quality. The study focuses on the following central research questions:

- ❑ What are the dimensions used by consumers to evaluate supermarket service quality?
- ❑ How reliable is the proposed service quality scale?
- ❑ What relationship can be observed between the proposed service quality dimensions and future store patronage?
- ❑ What relationships can be observed between the proposed service quality dimensions and overall service quality?

1.3 RESEARCH AIMS AND OBJECTIVES

1.3.1 General aim

The main purpose of the study is to develop a multi-dimensional scale that can be applied to measure consumers' perception of service quality for supermarkets.

1.3.2 Theoretical objectives

- ❑ To define and describe from literature, the nature of services and services marketing.
- ❑ To carry out a literature synthesis of service quality, service encounters and service quality models in order to integrate previous research on service quality in developing the dimensions of service quality.

1.3.3 Empirical objectives

- ❑ To evaluate the dimensionality of the proposed service quality model.
- ❑ To establish the reliability of the proposed service quality model.
- ❑ To ascertain the validity of the proposed service quality model.
- ❑ To evaluate the impact of the proposed service quality dimensions on future store patronage.
- ❑ To evaluate the impact of the service quality dimensions on overall service quality.

1.4 HYPOTHESES

The research problem where possible, should be translated into research hypotheses. Research hypotheses assists the researcher on implications inferred from theory in order to provide answers to the research problem (Welman & Kruger, 1999:23).

In this study, hypotheses are set to test the validity of the service quality scale. Empirical testing will therefore support or reject the hypotheses set. Following the literature review, various hypotheses were formulated. These hypotheses are described in chapter seven.

1.5 DEMARCATION OF THE FIELD OF STUDY

Whilst much of the research on service quality focused on various service settings, for example health care, hospital care, dental schools and business schools, little research was undertaken on retailers that offer a mix of goods and services, (Siu & Cheung, 2001:89) with particular reference to developing countries and emerging markets like South Africa (Nel *et al.*, 1997: 120).

For the purpose of this study, the research will be undertaken amongst consumers who shop at supermarkets. Traditionally, supermarkets operated on a self-service, low price basis offering food and non-food items (Hasty & Reardon, 1997:34). Today, supermarkets have extended their variety and their basic food lines are supplemented with an assortment of prepared food and delicatessen (Terblanche, 1998:121).

The operational definition of a supermarket for this study is defined as stores having the following characteristics:

- ❑ Are stores that belong to a national chain,
- ❑ Provide both serviced and self-serviced shopping,
- ❑ Comprise multiple departments,
- ❑ Centralised cashiers,
- ❑ Sales floor area larger than 1500m²,
- ❑ Provision of food and non-food items, and
- ❑ Have implemented a certain level of in-store automation.

The study was conducted amongst three selected stores of a national supermarket chain in the Vaal Triangle.

1.6 RESEARCH METHODOLOGY

1.6.1 Literature review

A literature study was undertaken on services marketing and service quality. This included textbooks on retail and marketing, journal articles, newspaper articles and liaison with the Department of Trade and Industry in order to establish a theoretical background. The literature review focused on:

- ❑ The marketing of services
- ❑ Service quality, its relationships and management
- ❑ The various types of service encounters
- ❑ Established models of service quality.

1.6.2 The empirical investigation

An empirical investigation was undertaken which provided the practical basis to ensure that a reasonably accurate version is given, which measured up to the purpose of the study. The survey method was used to obtain relevant data to evaluate the proposed model. This research required the development of a research instrument, a customer questionnaire, based on literature review of service quality and exploratory focus group interviews.

The nature of this research necessitated the use of a combination of convenience and judgement sampling (Parasuraman, 1991:546-548; Nauman and Giel, 1995:201; Churchill, 1995:579; Meidan, 1996:53).

The target population comprised customers who have patronized the supermarket in the last two months. Customers from three supermarkets were used for the study. Initially, two pilot studies were conducted amongst frequent users of the supermarket chain to purify the measuring instrument and to determine which of the two questionnaires reflected higher scale reliability. The first pilot questionnaire comprised a five point Likert Scale with a neutral point, while the second questionnaire (see annexure D) comprised a six-point Likert Scale. Arising out of the pilot study the main survey questionnaires was administered at each of the supermarkets. The questionnaire items were designed to permit answers on a six-point Likert Scale. Thirty-one variables (attributes) were used to gather data on five dimensions. A total of six hundred and seven completed questionnaires were received from the three stores. Refusals were in the region of twenty nine percent.

1.6.3 Statistical analysis

Data collection, processing and analysis followed the survey research. Descriptive and inferential statistics was used in data analysis. The data was analysed using STATISTICA software package. The response data was first analysed for reliability using Cronbach Alpha. In addition multivariate statistical methods, namely factor analysis was utilised to reduce attributes into identifiable factors. Pearson correlation was used to establish the strength and direction (positive or negative) of the relationship between the dimensions (factors) with the opinion data in order to test the hypothesis. In addition, analysis of variance and regression analysis was used to establish the validity of the measuring instrument. The factor structure was further evaluated by using confirmatory factor and path analysis to establish the goodness-of-fit of the model.

1.7 DEFINITIONS AND TERMINOLOGY

The following terminology and definitions were used in the study. An attempt was made to maintain consistency with definitions used in service quality

literature. The definitions are arranged in the order of usage in the progression of the discussion.

- ❑ **Services:** activities, benefits or satisfaction, which are offered for sale, or are provided in connection with the sale of goods (du Plessis *et al.*, 1995:254).
- ❑ **Intangibility:** services cannot be seen, tasted, felt, heard or smelt. To overcome this, consumers tend to look for evidence of quality and other attributes, for example in the décor and surroundings of the store (Woodruffe, 1995:19).
- ❑ **Inseparability:** services are produced and consumed at the same time, unlike goods, which may be manufactured, then sold and consumed (Kotler, 2000:432).
- ❑ **Heterogeneity:** services are always unique; it only exists once, and is never exactly repeated. There is limited scope for standardization of services (Woodruffe, 1995:19).
- ❑ **Perishability:** services cannot be stored in inventory and they cease to exist the moment they are created (Payne, 1993:7).
- ❑ **Relationship Marketing:** those activities directed towards establishing and maintaining successful relational co-operation and shared values in maintaining a successful relationship (Morgan & Hunt, 1994:22).
- ❑ **Internal Marketing:** viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organisation (Berry, 1981:33).

- ❑ **Quality:** a satisfactory conformance to specifications and design, such that, the product gives satisfaction, dependable service and reliability (Parry, 1973:15).
- ❑ **Service quality:** the customer's overall impression of the relative inferiority or superiority of a firm and its services (Terblanche, 1998:373).
- ❑ **Customer services:** features, acts and information that augment the customer's ability to realize the potential value of a core product or service (Lewison, 1997:492).
- ❑ **Service encounter:** the period of time during which a customer directly interacts with a service (Jun and Cai, 2001:276).
- ❑ **Atmospherics:** the built environment, which is man-made, including the physical surrounding of a store (Bitner, 1993:57).
- ❑ **SERVQUAL:** a multi item scale developed to measure service quality. The instrument is based on the premise that service quality is the difference between customer's expectations and their evaluation of their perceptions of the service they received (Kurtz & Clow, 1998:105).
- ❑ **SERPERF:** a multi item scale used to measure service quality. The instrument is developed on the premise that service quality is based on customer's evaluation of the performance of the service actually received and not on the performance minus expectations (Cronin & Taylor, 1992:55-68).
- ❑ **Factor Analysis:** A generic name given to a class of multivariate statistical method whose primary purpose is data reduction and summarisation (Hair *et al.*, 1992:428).

- **Endogenous construct:** A construct or variable that is the dependent or outcome variable in at least one causal relationship. In terms of path diagrams there are one or more arrows leading into the endogenous construct or variable (Hair *et al.*, 1992:428).
- **Exogenous construct:** A construct or variable that acts only as a predictor or “cause” for other constructs or variables in the model. In path diagrams, the exogenous variables are those constructs or variables that have causal arrows leading out of them (Hair *et al.*, 1992:429).
- **Goodness-of-fit:** The degree to which the actual or observed input matrix (covariance or correlations) is predicted by the estimated model. Goodness-of-fit measures are computed only for the total input matrix, making no distinction between exogenous and endogenous constructs (Hair *et al.*, 1992:429).

1.8 CLASSIFICATION OF CHAPTERS

Chapter Two of the study provides an overview and the growth and evolution of services marketing. It focuses on the service component, characteristics of services, namely, intangibility, heterogeneity, inseparability of production and consumption, and perishability. This chapter draws on key ingredients of services marketing, namely, interactive, relationship and internal marketing. The unique services marketing problems and suggested marketing strategies that can be employed in the marketing of services is highlighted.

The main focus of Chapter Three is on service quality. The definition of quality, service quality and customer services is highlighted. A review of the relationship between customer satisfaction and service quality is undertaken. The benefits of service quality through its various relationships is explored. Central to service quality, customer formation of expectations

and perceptions is analysed. An overview is provided on the management of service quality and the imperatives required to improve service quality.

Chapter Four outlines the role and script theoretical perspectives of service encounter and expand on the role of the employee, customer and the use of non-verbal communications in service encounters. The impact of servicescapes (atmospherics) and physical surroundings in a retailing environment is explored and highlights the links between atmospherics and service quality evaluation.

Chapter Five concentrates on measurement and review of prior models of service quality in general. More specifically, service quality models with special reference to retailers who offer a mix of goods and services are highlighted. The current debate on measuring service quality is briefly explored.

Chapter Six describes the steps used in the selection of the sample, the research methodology and design employed in the study. It concentrates on the procedure used in the design of the service quality scale and the development and distribution of the questionnaires. Measurement reliability and validity, pre-testing, and refinement of the measuring instrument are also discussed.

In Chapter Seven, an analysis, interpretation and evaluation of the research findings is undertaken. The results of the dimensionality, reliability and validity of the instrument used is reported on. The statistical test used to analyse the data is presented. The result of the various hypotheses is explained.

Chapter Eight reviews the entire study and provides a conclusion for the study. Contributions of the study, recommendations and implications for future research are discussed.

1.9 LIMITATIONS ON THE RESEARCH STUDY

This study undertaken within the supermarket setting, adds to the growing literature, which calls for the re-examination of how to measure and manage service quality. The results of this study cannot be accepted as being completely relevant and applicable to all retailers who offer a mix of goods and services, because of the limited sample size, the sampling procedure and particularly its focus on supermarkets.

The instrument has been validated by collecting data from customers of a supermarket chain in a developing country (South Africa). There is a possibility that perceptions may vary from customers from other developed countries.

1.10 GENERAL

- ❑ Annexures are placed at the back of the dissertation.
- ❑ Tables and figures are placed on the relevant pages in the dissertation.
- ❑ Where no sources are mentioned for figures and tables, it refers to own research.
- ❑ Referencing is based on the Scientific Skills Series, Quoting Sources, Potchefstroomse Universiteit vir Chistelike Hoër Onderwys.

1.11 SYNOPSIS

In today's world of fierce competition, rendering quality service is the key for subsistence and success. It may seem that retailers find it difficult to grasp and anticipate what aspects insinuate high quality of services to customers. Retailers are beginning to grasp the verities behind what their manufacturing counterparts learnt in the past decades-that quality does not improve unless it is measured (Sureshchandar, *et al.*, 2001:111) and thus venturing into multifarious approaches to evaluate the quality of their services.

In sum, service quality offers a means of achieving success among competing retailers that offer similar products. The benefits associated with service quality include increases in market share and repeat business (Hoffman & Bateson, 2002:348). Ultimately, the key to delivering service quality lie in a detail understanding of the needs of the consumer.

In the next chapter, the marketing of services will be highlighted. The characteristics of services and its implication for quality will be discussed. Contemporary issues in marketing such as interactive, relationship and internal marketing will be dealt with. The chapter will briefly focus on the marketing of services in the context of merchandise retailers, who offer a mix of goods and services.

CHAPTER 2

THE MARKETING OF SERVICES

2.1 INTRODUCTION

The importance of services in the lives of people is increasing in many parts of the world. Consumers are becoming more demanding. The reason for this lies both in the characteristics of consumers, and in the environment. Consumers have more knowledge of services gained through experience and advertising. Beyond this, automation and advances in technology, which have brought computerization into businesses have also led to an impersonalisation of services. As competition increases, delivering better services becomes more important (Akan, 1995:39).

The growth of the service sector has exposed new opportunities for marketing to broaden its traditional sphere of influence. The emergence of the service sector has been suggested by economists to be part of the natural progression in which economic dominance moved from agriculture to manufacturing and then to services (Dotchin & Oakland, 1994:10). These authors (1994:12-13) further point out that the growth of the service sector can be attributed to the following factors.

- ❑ Cultural changes, as evident in the wide concern with health, fitness and environmental safety, have created new markets for goods and services.
- ❑ Demographic changes, in particular, the ageing population of most western countries, has created specific demands, for example, holidays.
- ❑ Lifestyle changes, including flexible work patterns and changing expectations about leisure, have led to the demand for personal and time saving services.

Marketing has made a contribution towards the efficient functioning of the service sector through its attempts to ensure mutually beneficial relationships between service firms and consumers (Govender, 1998:13). In addition, marketers had to cope with the rise in consumerism (Boshoff,1990:20). The consumer movement developed as an organized effort aimed to protect consumers and consumer rights against unfair business practice. In order to survive, businesses had to re-focus on consumer needs. Research on consumer needs suggests that consumers are placing a high premium on value and quality (Aldlaigan & Buttle, 2002:363).

To service-based companies, quality is the lifeblood that brings increased patronage, competitive advantage and long-term profitability (Clow & Douglas, 1993:22). The service sector today occupies a pre-eminent position in the economies of most countries. It is therefore imperative to perform the services dependably, accurately and right the first time.

The specific purpose of this chapter is to provide an exploratory overview of the evolution of services marketing, marketing and consumerism, characteristics of services and their implications for quality, unique services marketing problems, contemporary issues facing services marketing and the examination of services within the context of retailing.

2.2 THE EMERGENCE AND EVOLUTION OF SERVICES MARKETING

Despite the broadening of the concept of marketing (to include *inter-alia*, the marketing of services) and the astronomical growth and size of the service sector in the majority of countries including, South Africa, many authors and researchers have noted the scant attention paid to services in the literature on marketing (Boshoff, 1990:35).

Recently, more developed economies around the globe have evolved into service economies during the last two decades. In the USA, Western Europe, Australia

and Japan, for example, consumers spend more for services than for tangible goods (Martin, 1999:324). The author further posits that service industries account for almost 75% of these countries' GDP and labour force. Brown *et al.* (1994:21) argues that both scholars and researchers have been influenced by the changing nature of the economy and the needs of management.

Despite the heavy weighting for the service sector, most of the historical thought and research in marketing has stemmed from the manufacturing sector. It was only after the Second World War that services marketing began to emerge as a significant aspect of differentiation between firms trying to augment their offerings in order to gain competitive advantage in the market place.

Brown *et al.* (1994:22) identified three noteworthy factors that influenced evolution of the literature. Firstly, considerable interaction has occurred between academics and practitioners. This resulted in service marketing literature being anchored on managerial issues. Secondly, the literature has a strong interdisciplinary orientation especially involving operations and human resources management. Thirdly, services marketing literature has been of an international flavour from the beginning, with academics in the United States, Scandinavia, the United Kingdom and France being intensely involved. This resulted in cross-fertilizing the ingredients in the evolution of services-marketing literature.

In concert with this evolution, Martin (1999:324) re-affirms that the term service has developed multiple and some interrelated meanings. Services, according to him, have to do with:

- ❑ An augmentation of manufactured goods. (For example, the free delivery of a purchased appliance).

- ❑ The assistance provided to customers to speed and ease their decision-making process. (For example, contacting personnel quickly, responding to telephone calls, providing useful information and demonstrations.)
- ❑ How interaction with customers is handled. (For example, with courtesy, professionalism.)

The evolution and legitimization of services marketing as reflected in the literature can be described in three stages. According to Brown *et al.* (1994:25), these are described as the crawling out stage, the scurrying about stage and the walking erect stage. Scholars in the services-marketing field asserted the discipline's right to exist, hence the crawling out stage. This stage began with the first services marketing scholars struggling to publish their work and culminating with a fierce debate over whether services-marketing is different. The debate questioned the very legitimacy of services marketing as a field within the discipline.

In the scurrying about stage, a thriving colony of nimble scholars contributed to the growing base of literature. This was a bustling period when enthusiastic scholars contributed to the rapid development of many topics and interests.

In the walking erect stage, scholars began to gain respect as services marketing became an established field within the marketing literature.

To trace this evolution through the literature, marketing literature across the three periods is classified and major contributions are summarized.

2.2.1 The Crawling Out Stage (pre-1980)

This was the discovery and risk-taking period. It spans the period from 1953 to 1980. This twenty-seven year span included about one hundred and twenty publications, by many of whom are services marketing authors today. (Examples are, John Bateson, Leonard Berry, Stephen Brown, John Czepiel,

Pierre Eiglier, William George, Christain Gronroos, Eugene Johnson, Eric Langeard, Christopher Lovelock and Lynn Stostack). Table 2.1 outlines the general services marketing literature publication during the three phases.

TABLE 2.1 GENERAL SERVICES MARKETING LITERATURE

PERIODS	Journal articles	Books	Proceedings, papers & book chapters	Dissertations	Total
Crawling out (pre- 1980)	59	10	32	19	120
Scurrying about (1980-1985)	104	26	141	16	287
Walking erect (1986- November 1992)	361	50	272	37	720
TOTAL	524	86	445	72	1 127

Source : Brown *et al.* 1994:24

□ General observations

The early history of the marketing discipline focused on selling agricultural products. Later, the discipline's scope expanded to marketing physical products. However, the accepted wisdom that marketing meant goods marketing was rarely challenged. Much of the literature in the crawling out stage was conceptual, with definitions on the nature of services and their marketing being focal points of discussion. Johnson (cited in Brown *et al.* (1994:26) was the first to ask the question, "are goods and services different"? This launched the goods and services debate. As the literature grew, the

questioning of the legitimacy of services marketing emerged. The goods marketing versus the services marketing debate represented a fundamental challenge to the right of the services marketing field to exist.

In the early 1970s a landmark article, Stostack (1977:73-80) published "Breaking Free From Product Marketing" which altered the evolution of the services marketing field. Kotler (cited in Gronroos, 1990:12) commented: "This article was to alter the course of our thinking about services marketing, if not general marketing itself". In her article, Stostack (1977:73) made the following provocative assertion: "Could marketing itself be myopic in having failed to create relevant paradigms for the service sector? ... service industries have been slow to integrate marketing into the mainstream of decision making and control because marketing offers no guidance, terminology or practical rules that are clearly relevant to services".

Stostack's criticisms stung all the more because they came from someone outside the academic community. Her article became a rallying cry that has inspired numerous services marketing scholars. Thomas (1978:158-165) also argued that strategy differs for services businesses, more specifically, he stated that old strategies developed for physical goods are inappropriate for services and that service managers need to take advantage of the unique strategies available to them.

2.2.2 The Scurrying About Stage (1980-1985)

This represented the period of high interest and enthusiasm in services marketing. The first half of the 1980s represented the bridging period of the literature. The services versus goods debate began to wane.

□ General observations

Two major developments during period 1980-1985 helped to trigger a large growth in service literature. One was the deregulation of the service industry

and the other was the interaction amongst participants at a series of American Marketing Association conferences. This stimulated excitement and productive exchanges between academics and business people in Europe and the United States. During the 1980-1985 period, the quality of literature as illustrated in table 2.1 increased. More and more scholars, however, began to investigate substantive issues unique to the field such as service quality and service encounters. During this period, two significant articles were published by, Zeithaml *et al.* (1985:33-46). In the first article, the authors offered a conceptual framework summarizing the unique characteristics of services, and also built a comprehensive case for services marketing. Later, the same authors published a conceptual model of service quality and its marketing implications for future research (1985:41-50). The authors developed their “gaps model” of service quality and reported an exploratory investigation of quality in four service businesses. This landmark article and subsequent studies by this team and others, for example, Brown and Swart (1989:92-98; Cronin and Taylor, 1992:55-68) led to service quality being a core topic for discussion for services-marketing.

Another significant contributor during this period was Solomon *et al.* (1985:99-111). In their article “the service encounter”, critical components of service encounters were presented. They proposed that the dyadic interaction between a service provider and a customer is an important determinant of the customer’s overall satisfaction with a service. This led to the groundwork for the walking erect period.

2.2.3 The Walking erect stage (1986-present)

This period was characterized as a period of explosive growth in empirical research in services marketing. The literature focused on specific marketing problems of services businesses. This problem focus has resulted in the field becoming increasingly cross functional, because many of the issues being researched have multiple roots and multiple solutions. The explosion in the

number of books, journal publications and conference proceedings in this stage is documented in table 2.1. Publications have become more empirically based and theory driven as opposed to presentations of conceptual discussion and debates. The single most researched area in service marketing is service quality. Most of the recent work on service quality in marketing can be credited to the pioneering and continuing contributions of Parasuraman, Zeithaml and Berry, which have produced a conceptual framework (Gaps Model) and a measuring instrument (SERVQUAL).

Another prominent stream of research relates to service encounters/ experiences or “moments of truth”. The underlying assumption is that consumer perceptions of service encounters are important elements of customer satisfaction, perceptions of quality and long-term loyalty. Because services are processes, the actual steps involved, is delivering and receiving the service. The role of total quality management (TQM) has provided another catalyst for research on service processes, because TQM is process oriented.

In addition, service researchers since the early 1980s have drawn attention to the need to retain as well as attract customers, hence the concept relationship marketing. Relationship marketing recognizes the value of current customers and the need to provide continuing services to existing customers so that they will remain loyal. For marketers, this is a definite shift away from more traditional marketing practices. The research on relationship marketing and customer retention has taken various forms. For example, some research focuses on constructs, such as trust and relationship commitment and how these constructs relate to customer satisfaction and loyalty (Crosby *et al.*, 1990:68-81). Other researchers have focused on specific breakthrough strategies for retaining customers, such as building an effective recovery strategy for service failure situations (Hart *et al.*, 1990:148-156).

Ideas about internal marketing, which emerged in the early 1980' also gained momentum in service literature (Gronroos, 1981:236-238). It is not just contact personnel who need to be concerned with satisfying their customers; everyone

in an organisation has someone whom he must serve. This led to a refocus of marketing to encompass the customer-orientation perspective, rather than being merely transaction oriented.

2.3 MARKETING TODAY

The marketplace has changed over the years as a result of major societal forces such as technological advances, globalization and deregulation (Kotler, 2000:26). The foundation of contemporary marketing philosophy is based on an understanding that a sale depends not simply on excellent production facilities or an aggressive sales force, but rather on a thorough understanding of a customer's needs. Consumers do not buy products for the sake of having them, but because of need satisfying properties that the products have (Lamb *et al.*, 2000:09).

Thus the basis of being marketing oriented is to try to identify, understand and satisfy the needs of consumers. The philosophy also referred to as the marketing concept suggests that the social and economic justification for a firm's existence is the satisfaction of consumer wants and needs while meeting the firm's objective. The marketing concept is based on three pillars:

- ❑ Customer satisfaction by focusing on customer needs and wants.
- ❑ Integrating the firm's activities, to satisfy the needs and wants.
- ❑ Obtaining long-term goals, such as sustained profits, by satisfying customer needs and wants.

Customer need satisfaction is therefore the key in successful marketing. Customers expect a high quality of service. The importance of need satisfaction is acknowledged in the majority of the definitions of marketing. In addition, store-based retailers are currently suffering from an over saturation of retailing

and constant pressure and competition from direct mail firms, and the Internet (Kotler, 2000:27). As a result of this competition, retailers are building entertainment into stores with coffee bars, demonstrations and performances. They are marketing an “experience” rather than a product assortment.

Various authors have defined marketing in a variety of ways. Stanton *et al.* (1991:08) define marketing as a total system of business activities designed to plan, price, promote, and distribute want-satisfying products to target markets in order to achieve organizational objectives. The marketing concept is based on three fundamental beliefs:

- ❑ All planning and operations should be customer-oriented. The organization and its employees should be focused on determining and satisfying customers’ needs.
- ❑ All marketing activities in an organization should be coordinated.
- ❑ Customer-oriented, coordinated marketing is essential to achieve the organisation’s performance objectives.

McCarthy and Perreault (1993:08) define marketing as the performance of activities that seek to accomplish an organisation’s objectives by anticipating customer needs and directing need satisfying goods and services from producer to customer. Implicit in this definition is the profit motive, as profit is the objective for most businesses. In addition, the aim of marketing is to identify the customers’ needs, and to meet those needs.

Kotler (2000:6-7) defines marketing as a process by which individuals and groups obtain what they need and want through creating and exchanging products and services of value with others.

The American Marketing Association’s definition (cited in Lamb *et al.* 2000:04) defines marketing as a process of planning and executing the conception,

pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals. Marketing is thus:

- ❑ about anticipating and satisfying customer needs,
- ❑ by means of mutually beneficial exchange process, and
- ❑ doing so profitably and more effectively than competitors,
- ❑ and by means of efficient managerial processes.

Marketing thus appears to be a business function, which has to contend with two major issues, namely, the consumer's demand for need satisfaction and the businesses demand for a return on investment. As a result, consumer demand for need satisfaction has been propelled to "centre stage" due to various emerging factors. One of the factors was increased consumer knowledge of product information through the growth of consumerism.

2.4 MARKETING AND CONSUMERISM

Consumerism is defined by Cronje *et al.* (1994:06) "as a social force in society which protects consumers against unsafe products and malpractices through moral and economic pressure in business." Kotler (2000:152) explains consumerism as an organized movement of consumers who attempt to protect and enhance the rights and powers of buyers in relation to sellers. Such social pressures result in increased government regulations to force businesses to comply with social requirements and norms.

The growth of consumerism has resulted in consumers being critical of many questionable business practices and has supported the imposition of increased regulation upon the corporate sector. In western countries, for example, most consumer issues are translated into regulations through the process of institutionalization of consumerism in sociopolitical systems. Hence, responding to consumerism has now become a routine exercise for most businesses in the West (Quazi, 2002:37). In South Africa legislation has been put in place by the government (Consumer Affairs Unfair Business Practices

Amendment Act 23/1999) to govern market practices. The Act provides for the control or prohibition of unfair business practices carried out by businesses against consumers (Anon.,1999:02). In terms of the act the consumer affairs committee conducts investigations into cases relating to unfair business practices and represents consumer interests. Special consumer courts or tribunals are in operation with specific powers to adjudicate cases of unfair business practices.

Rights that consumers (Anon., 1999:04) have are summarized below:

- ❑ The right to satisfaction of basic needs. Consumers should have access to basic goods and services such as adequate food, clothing, housing, health care, education, clean water and sanitation.
- ❑ The right to safety. Consumers should be protected against production processes, products and services, which are dangerous to health and life.
- ❑ The right to information. Consumers must be provided with the facts needed to make informed choices, and to be protected against dishonest or misleading advertising and labeling.
- ❑ The right to choose. Consumers should be able to choose from a range of products and services, offered at competitive prices with an assurance of satisfactory quality.
- ❑ The right to representation. Consumers' interest should be represented in the making and execution of government policy and in the development of products and services.
- ❑ The right to redress. Consumers should receive a fair settlement of just claims, including compensation for misrepresentation, or shabby goods and services.
- ❑ The right to consumer education. Consumers' need to acquire knowledge and skills needed to make informed and confident choices about goods and services, while being aware of basic consumer rights and responsibilities and how to act on them.

- ❑ The right to a healthy environment. Consumers should live and work in an environment which is not threatening to the well being of present and future generations.

The fact that consumers have found it necessary to insist on these rights, especially those dealing with products and services in a business environment, can indicate that businesses may have failed, at least to some extent, to implement the marketing concept.

However, these rights and the growth of consumerism should not be seen in a negative light, as they can be of benefit to marketing by exposing new consumer needs and taking cognizance of societal needs.

2.5 THE SERVICE COMPONENT

Almost every item consumers buy, and almost every item purchased, includes a service component. An example of purchases that include both product and services can be found in supermarkets. When one buys groceries one also buys convenience in the form of store hours, short pay-point queues, merchandise selection and prepared, ready to eat food. Although, much of the offerings consist of products, there are several very important service components. (Goncalves, 1998: 01).

Due to the intangibility and the ellusiveness of the concept, researchers and scholars define services in varied ways. This is evident from some very early definitions to its more recent definitions.

Judd (1964:57) defines a service as: "A market transaction by an enterprise or entrepreneur where the object of the market transaction is other than the transfer of ownership of a tangible commodity".

Gronroos (1982: 30) describes services as: "The object of marketing, that is the company is selling the service as the core of its marketing offering".

Stanton *et al.* (1991:486) views services as: "Those separately identifiable, essentially intangible activities that provide want-satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may not require the use of tangible goods". According to Payne (1993:06): "A service is an activity which has some element of intangibility associated with it, which involves some interaction with customers or with property in their possession and does not result in the transfer of ownership. A change in condition may occur and the production of services may or may not be closely associated with the physical product".

The American Marketing Association (cited in du Plessis *et al.*, 1995:254), define services as: "activities, benefits or satisfaction which are offered for sale, or are provided in connection with the sale of goods".

Zeithaml and Bitner (1996a:05) explain services as deeds, processes and performances. With this broad definition of services, it becomes apparent that services are produced not only by service assistants, but are also integral to the offering of many manufactured-goods producers. For example, a motor vehicle dealer may offer warranties and repair services for their cars sold; a supermarket may offer a money back guarantee, or returns on certain products. These are examples of deeds, processes and performances.

Kotler (2000:428) defines a service as: "Any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".

A more central focus of services marketing is based on the fact that the consumption of a service is process consumption, rather than outcome consumption, where the consumer or user perceives the production process as

part of service consumption (Gronroos, 1998:323). In contrast, when consuming a physical product, consumers make use of the product itself *i.e.* they consume the outcome of the production process. In the consumption of services, the consumption process leads to an outcome for the consumer, which is the result of the service process.

Thus, according to Gronroos (1998:323) this service consumption and production have interfaces that are always critical to customers' perceptions of the service, and have an effect on long term purchasing behaviour. In service-marketing literature this interface is called interactive marketing.

What these and other definitions of a service have in common is the emphasis directly or by implication of the essentially intangible nature of a service. The essential ingredient in services is the benefit that is derived from offering of service.

2.6 CHARACTERISTICS OF SERVICES AND THEIR IMPLICATIONS FOR QUALITY.

Although agreement is not universal, most authors identify four characteristics, which are believed to distinguish a service from a physical product (Smith, 1990:25). In service marketing literature, services are frequently described by characteristics such as intangibility, heterogeneity, inseparability of consumption from production and the impossibility to keep services (perishability) in stock (Gronroos, 1998:323). Some of them, for example, the first two, are not specific for services, and others, for example, the last two follow from an important characteristic of service, *i.e.* the process nature of services. Physical goods are produced in a factory, whereas services are produced in a process in which the consumers interact with the production resources of the service firm. Some parts of the service may be prepared before the consumer enters the process, but for service quality perceptions, the critical part of the service process takes place in interaction with customers (Gronroos,

1998:327). Therefore, what the consumers consume in a service context is fundamentally different from what the focus of consumption is with regards to physical goods.

Services are intangible and have to be produced in the presence of a customer—often with the customer's active participation. The consumer therefore cannot assess the intangible aspects of the service before the event (Dotchin & Oakland, 1994:12). Unlike goods where consumers may rely on search properties, consumers must rely on experience of the service itself. According to Zeithamal *et al.* (1985:33) because these services are performances rather than objects, they cannot be seen, felt, tasted or touched in the same manner in which goods can be sensed.

The four distinguishing characteristics of services, intangibility, inseparability, heterogeneity and perishability, which have implications for management and delivery of service quality are discussed below.

2.6.1 Intangibility

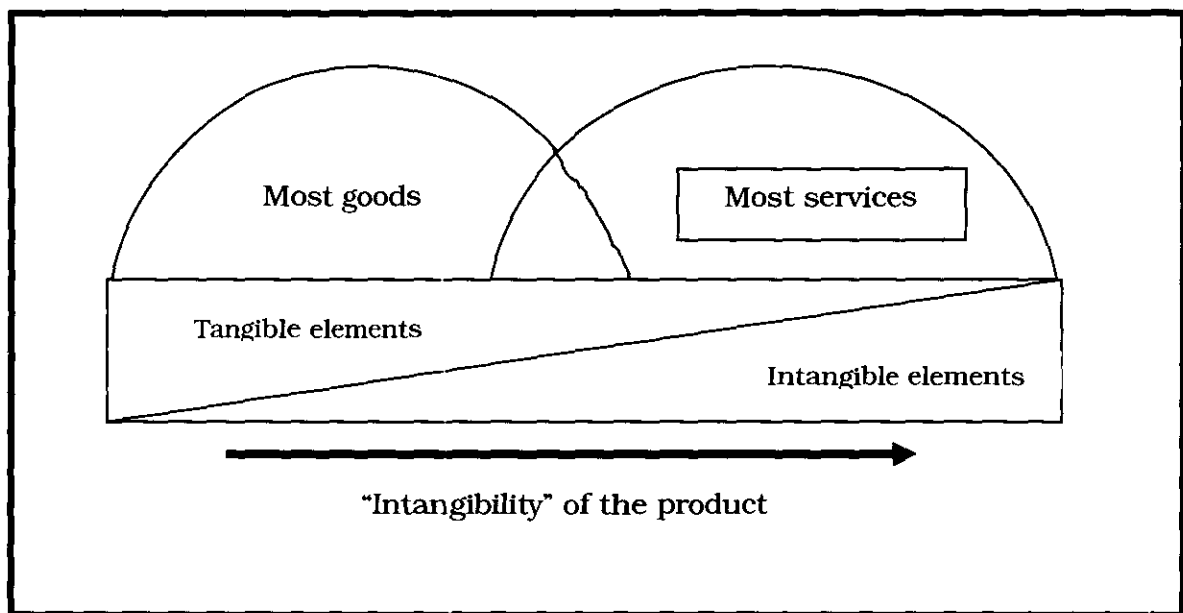
As mentioned previously, services are intangible. Unlike physical products, they cannot be seen, tasted, felt, heard or smelt before they are bought. To reduce uncertainty, buyers will look for signs or evidence of the service quality (Kotler, 2000:429). They will draw inferences about quality from the place, people, equipment, communication material, symbols and price that they see. According to Ruston and Carson (1989:12) all products are a combination of tangible and intangible characteristics. What differs is the relative proportion of each. Figure 2.1 shows that products based on goods tend to have more tangible characteristics, whereas products based on services tend to have more intangible characteristics.

Whilst the importance of product benefits in service marketing is acknowledged (Ruston and Carson, 1989:13), the extent to which a product is intangible also

matters because of:

- ❑ its direct influence on customers,
- ❑ the way it affects the marketing of product benefits, and
- ❑ the direct impact it has on marketing techniques and practices.

FIGURE 2.1 PRODUCT INTANGIBILITY



Source: Ruston & Carson, 1989:13

❑ **Influence on customers**

It is more difficult for a customer to grasp the idea of a product that is physically intangible, that is a service, than a product that has a physical presence, for, example, goods. Hence a product that is physically intangible also tends to be mentally intangible. Zeithaml (cited in Ruston and Carson, 1989:12) argues that this issue has been examined with reference to three types of product qualities: search qualities, experience qualities and credence qualities. Search qualities are attributes, which a consumer can see, feel or touch prior to the purchase of the product. Experience qualities are attributes such as taste that can be discerned after purchase or during consumption. Credence qualities are attributes which consumers may find

impossible to evaluate even after purchase and consumption because they do not have the knowledge to do so. Because credence qualities dominate in intangible service products, it has been argued that the evaluation process used by consumers is different from that used with tangible products. Figure 2.2 outlines the intangibility of services and consumer evaluation thereof.

□ **Marketing the benefits**

Since the features of a product can be both tangible and intangible, so too can the benefits conveyed by the product be to the consumer. Figure 2.2 reflects mainly tangible products which can yield intangible and tangible benefits and likewise, mainly tangible products (services) can yield tangible as well as intangible benefits. A supermarket, for example, selling Kodak films, provides buyers of the films the satisfaction of preserving memories, of capturing them for all time. Kodak says little about the superior luminescence of the photographs produced by their films. Thus, more often than not, when goods are marketed, the focus is placed firmly on the intangible benefits and that is what attracts the customers.

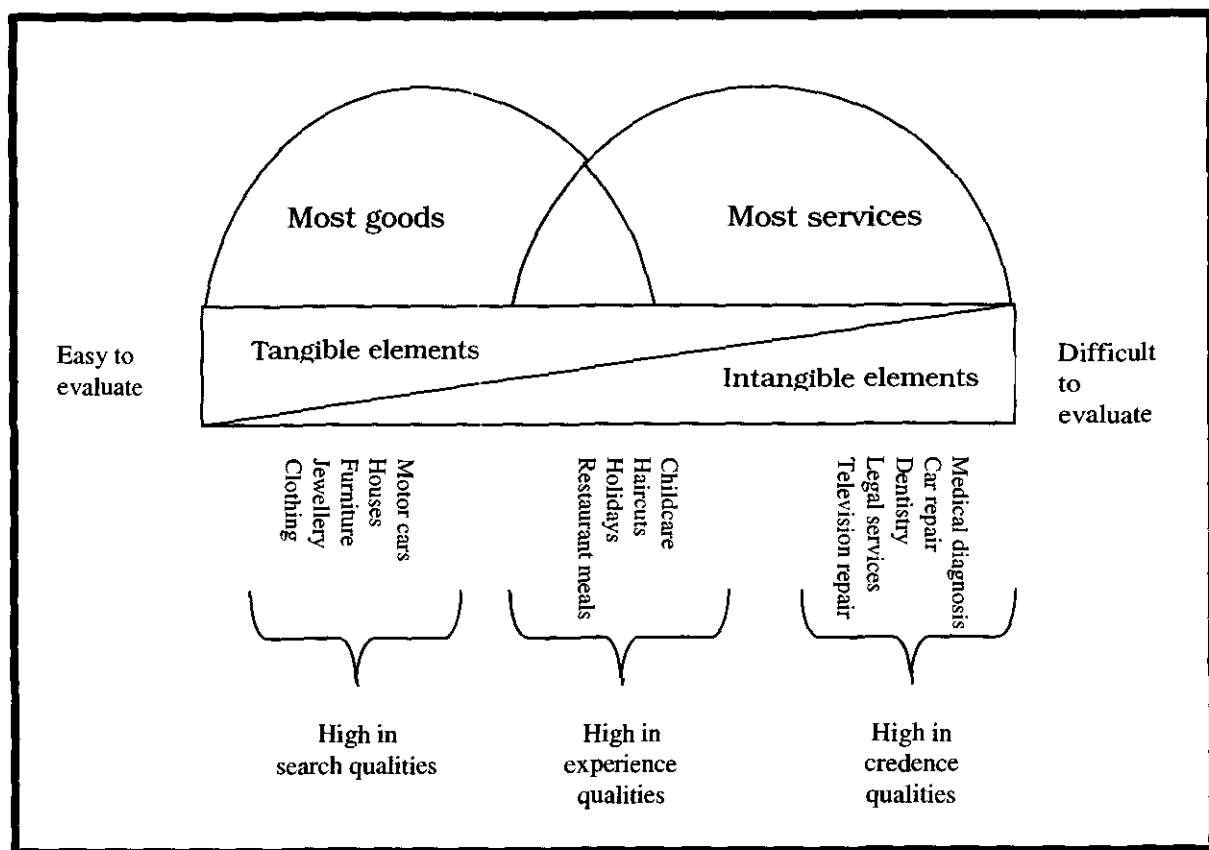
□ **Marketing techniques**

There are many ways in which a product's intangibility has a direct impact on marketing techniques. For example, the need to know the product is generally regarded as a prerequisite to effective marketing. For tangible products, getting to know the product and making product comparisons are usually easy. Getting to know an intangible product is more difficult. The tools used to evaluate a tangible product are inappropriate, because there is no "thing" to examine physically. With regard to tangible products, it is possible to prescribe a colour and size of the product and also set tolerance levels outside of which the product can be rejected. With intangible products, it is difficult to set pre-determined tolerance levels. The fundamental difference universally cited by various authors (Bateson, 1995:115; Berry, 1980: 24-29; Shostack, 1977:73-80) is intangibility.

Intangible services are abstract and often difficult to describe and understand. Thus it is difficult for the producer of the service to describe it and for the consumer to ascertain its virtues. This in turn makes a service difficult to demonstrate, illustrate and promote. Stostack (1977:75) argues that where an entity is intangibly dominant, the customer will place reliance on tangible cues such as the physical environment. Word of mouth, reputation of the service provider, accessibility, and communication are also often used for signs of quality.

Parasuraman *et al.* (1988:21) describe tangibles as one of the five dimensions which provide criteria for assessment of service quality perceptions. A major challenge for retailers is to re-design store layout and décor in order to create an image or provide tangible cues to customers to evaluate service.

FIGURE 2.2 INTANGIBILITY AND CUSTOMER EVALUATION



Source: Rushton & Carson, 1989:13

Bebko (2000:23) argues that intangibility is the key in determining whether or not an offering is a service or a product. Potential customers must therefore rely on recommendations of others with appropriate knowledge and the appearance of the service provider's facilities to access quality. Inability to evaluate services before they are consumed requires service marketers to communicate the benefit sold in order to encourage customers to make a purchase decision.

Figure 2.3 highlights some of the implications of intangibility of services for customers and management. It is evident from the figure that service customers experience difficulty in evaluating services, thus the need for service firm managers to stress tangible cues and focus on service quality.

It emerges thus that the service providers' task is to manage the evidence to make tangible the intangible, i.e. transform intangible services into concrete benefits.

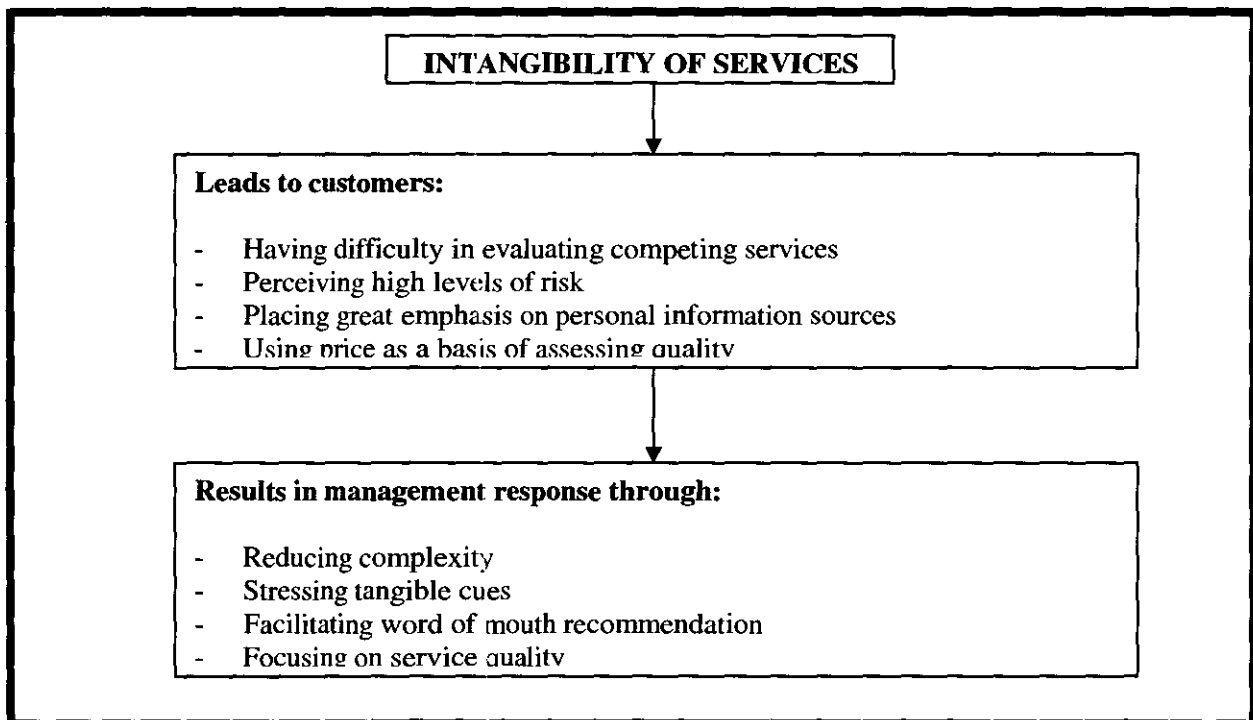
2.6.2 Inseparability of production and consumption

This entails the simultaneous production and consumption of services. Whereas goods are first produced, then sold and consumed, services are first sold, then produced and consumed at the same time (Kotler, 2000:432). Since the customer must be present during the production of many services, inseparability forces the consumer into intimate contact with the production process (Carmen & Langeard, 1980:08). Service production generally requires the presence of the customer. However, this is not always the case. Some services can be produced and delivered while the customer is not present. Therefore, the involvement of the consumer in the delivery process introduces an additional process factor, the consumer, over which management has little or no direct control (Ghobadian *et al.*, 1994:45). Moreover, the behaviour of one group of customers does influence other customers perception of service quality. Inseparability also means that the producer and the seller are the same entity, making only direct distribution possible in most cases (Meidan,

1996:03), and causing marketing and production to be highly interactive. Figure 2.4 depicts some of the implications of service inseparability. It is evident from figure 2.4 that the inseparability of service production and service consumption necessitates “management” of the service encounter by the service provider.

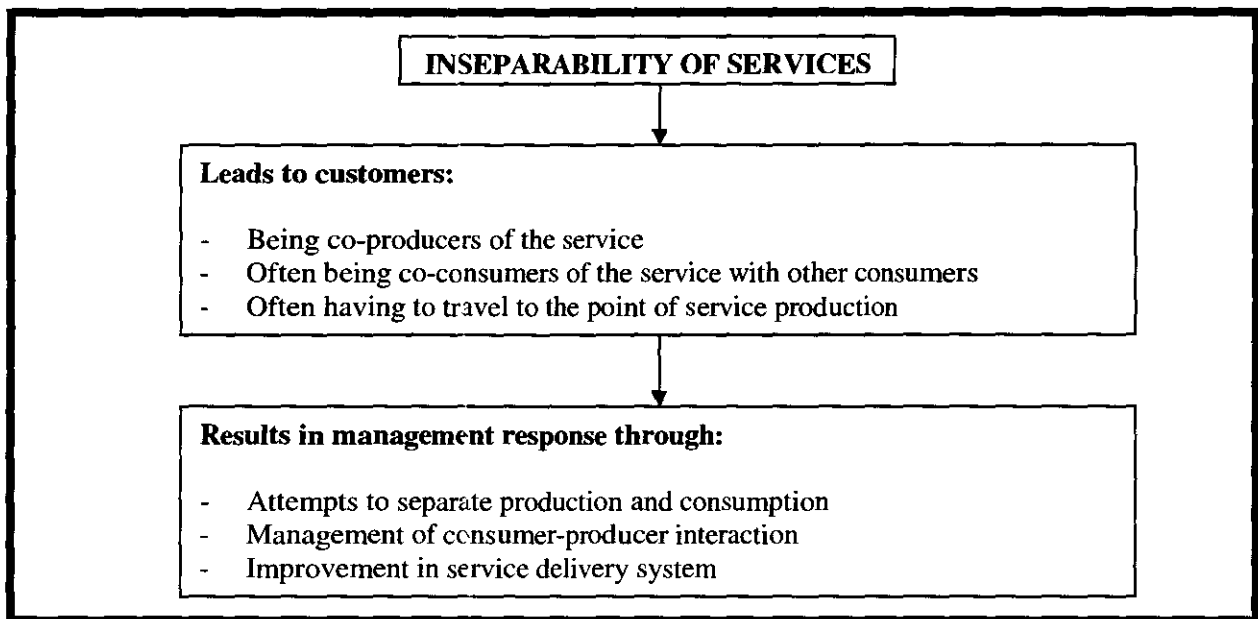
A further implication of the simultaneous production and consumption of a service is that the “production facility and the production tools,” both contribute to the delivery experience (Bitner,1993:57; Schneider & Bowen, 1985:30). Thus when a consumer walks into a supermarket to purchase a product, the appearance of the supermarket and the modernness of the equipment and technology used impact on the customer's perception of service quality.

FIGURE 2.3 IMPLICATIONS OF SERVICE INTANGIBILITY



Source: Palmer, 1994:4

FIGURE 2.4 IMPLICATIONS OF SERVICE INSEPARABILITY



Source: Palmer, 1994:5

2.6.3 Heterogeneity

The quality of service performance varies from one service organization to another (Kotler, 2000:432). Consumers are invariably directly involved in the production of services (as are service delivery personnel). As a result there is a limited scope for standardizing a service firm's output. Therefore the quality and essence of a service can vary from producer to producer, from customer to customer and from day to day. Service performance from the employee may also differ as employees' performance, day in and day out fluctuates. In addition it is difficult to assure consistency and uniformity of behaviour. In effect what the firm intends to deliver may be entirely different from what the consumer receives.

Service operations depend on consumers to articulate their needs or provide information. The accuracy of the information and the ability of the service provider to interpret this information correctly have a significant influence on the consumer perceptions of service quality (Ghobadian *et al.*, 1994:45).

The priority and expectation of consumers may vary each time they use the service. The variability of service from one period to another and from consumer to consumer makes quality assurance and control difficult. Meidan (1996:03) asserts that “even the most courteous and competent employee (for example a supermarket cashier) can have off days for a number of reasons, and inadvertently pass bad vibes on to the customer.”

Smith (1990:28) argues that, “the intangible nature of services, products and interaction with customers and employees creates a problem with measurement of inputs”. Thus two employees similar in training and experience and receiving the same salary may differ greatly in their effectiveness in dealing with customers.

Woodruff (1995:19) is of the view that a service is always unique, as it only exists once and is never exactly repeated. This may therefore give rise to a concern about service quality and uniformity issues. As a result of this, the output of service firms is both heterogeneous and non-standardised. In addition, variations in customer and employee abilities and compatibilities all contribute to heterogeneity in the service experience.

Smith (1990:29) confirms that consumers perceive greater risks when buying services than when buying products. The problems encountered in controlling quality levels can be considered to be greater in service industries than in goods industries.

It is therefore evident that service providers have to rely heavily on the competence and ability of their staff to understand the requirements of the consumer and react in an appropriate manner.

To institute quality control (Kotler, 2000:432) outlines three steps in this regard. The first is investing in good hiring and training procedures. Recruiting the right service employees and providing them with excellent training is crucial regardless of whether employees are highly skilled professionals or low-skilled

workers. The second is standardizing the service-performance process throughout the organization. The third step is monitoring customer satisfaction through suggestion and complaints systems and customer surveys.

It is therefore evident that service providers have to rely heavily on the competence and ability of their staff to understand the requirements of the consumer and react in an appropriate manner.

2.6.4 Perishability

Perishability means that services cannot be saved. Services cease to exist the moment they are created. If a service is not used when available, the service capacity is wasted.

Unlike physical products, services cannot be stored but have to be produced on demand. Services marketers are unable to keep an inventory of their services for later use during peak demand (du Plessis *et al.*, 1995:259). Because services are performances that cannot be stored, service businesses often find it difficult to synchronise supply and demand.

Smith (1990:31) posits that demand variations do however lead to a major service quality problem encountered by retailers, that of queueing and the associated problems of striking a balance between speed and personalized service quality. Unlike manufactured goods, it is not possible to have a final quality check of the service. The service provider needs to get the service right the first time.

These characteristics pose quality challenges unique to services and must be taken into account when designing, marketing, producing and delivering services (Jobber, 1995:663).

A review of literature summarized in table 2.2 reveals that many authors do in fact use these characteristics to describe services.

TABLE 2.2 LISTING OF UNIQUE CHARACTERISTICS OF SERVICES

AUTHORS LISTING UNIQUE CHARACTERISTICS OF SERVICES					
	CHARACTERISTICS OF SERVICES				
	Intan- gibility	Hetero- geneity	Insepa- rability	Perisha- bility	No owner- ship
Ahtola (1985)	X	X	X		
Bateson (1979)	X		X	X	
Besson and Jackson (1975)	X		X	X	
Blois (1974)	X				
Booms and Bitner (1981)	X	X	X	X	X
Cowell (1985)	X	X	X	X	X
Davis, Guiltinan and Jones (1979)	X	X	X	X	X
Eiglier et al (1977)	X		X		
George, Kelly and Marshall (1983)	X	X	X	X	
George (1977)	X		X		
Grönroos (1978)	X		X		X
Grönroos (1980; 1984b)	X		X	X	
Grove and Fisk (1983)	X		X		
Rathmell (1966) (1974)	X	X	X	X	
Regan (1963)	X	X	X	X	
Schneider (1987)	X		X	X	
Shetty (1987)	X	X	X	X	
Shostack (1977)	X				X
Smith and Houston (1983)	X		X		
Thomas (1978)	X	X		X	
Zeithaml (1981)	X	X	X		

Source: Zeithaml et al. 1985:34

These unique characteristics of services pose many challenges to a retailer as reviewed in section 2.7.

2.7 UNIQUE SERVICES MARKETING PROBLEMS

Due to the unique characteristics of services, specific problems arise for service marketers, which necessitates special strategies for dealing with them. Table 2.3 summarises the problems, which often stem from each of the four service characteristics.

TABLE 2.3 UNIQUE SERVICE FEATURES AND RESULTING MARKETING PROBLEMS

UNIQUE SERVICE FEATURES	RESULTING MARKETING PROBLEMS
Intangibility	1. Services cannot be stored. 2. Cannot protect services through patents. 3. Cannot readily display or communicate services. 4. Prices are difficult to set.
Inseparability	1. Consumer involved in production. 2. Other consumers involved in production. 3. Centralized mass production of services difficult.
Heterogeneity	1. Standardization and quality control difficult to achieve.
Perishability	1. Services cannot be inventoried.

Source: Zeithaml *et al.* 1985:35

In addition, table 2.4 lists the marketing strategies as enumerated by Zeithaml *et al.* (1985:35), required to overcome these problems. The suggested strategies are attempts to cope with the unique demands that the marketing of services places on service marketers.

**TABLE 2.4 SUGGESTED MARKETING STRATEGIES FOR PROBLEMS
STEMMING FROM UNIQUE SERVICE FEATURES**

UNIQUE SERVICE FEATURES	RESULTING MARKETING PROBLEMS
Intangibility	1. Stress cues. 2. Use personal sources more than non-personal sources. 3. Simulate or stimulate word-of-mouth communications. 4. Create strong organizational image. 5. Use cost accounting to help set prices. 6. Engage in post-purchase communications.
Inseparability	1. Emphasis selection and training of public contact personnel. 2. Manage consumers. 3. Use multi-site locations.
Heterogeneity	1. Industrialize service. 2. Customize service.
Perishability	1. Use strategies to cope with fluctuating demand. 2. Make simultaneous adjustments in demand and capacity to achieve a closer match between the two.

Source: Zeithaml, et al. 1985:35

In order to cope with the marketing problems posed by services, du Plessis *et al.* (1995:260) propose the following:

In addition to the four Ps, attention should be paid to three additional Ps namely:

- ❑ Physical evidence: The environment in which the firm and the customer interact and any tangible cues which could influence satisfaction with the service.
- ❑ Participants: The service contact personnel who interact with customers and who primarily influence customer perception.
- ❑ Processes: The procedures, methods and mechanisms, which play a role in service delivery.

The above three Ps will help communicate the retailer's image to the customer and thus influence not only pre-purchase expectations but also satisfaction needs.

Two strategies mentioned above require further scrutiny.

2.7.1 Training

To ensure consistent quality, service firms have to select and train the store employee well and exercise tight quality control. For example, Pick 'n Pay supermarkets practice quality control through regular training programmes. This ensures that retailers, no matter where the customers come from, provide standardized services.

2.7.2 Customer participation

Unfortunately, some services require different levels of understanding and skills on the part of the consumer. If the consumer is unable to execute a certain task, he may frustrate the retailer's attempt to control the quality of its service. For example, if a customer does not know the channels of redress in the case of a complaint, he may slow down the entire complaints resolution process.

In services marketing, people and supporting systems (processes) form the heart of the service marketing strategy. The human element is the most important, but also the most difficult to control. Continuous training, the

creation of a people-centered culture and dedication to service excellence should form part of a firm's philosophy.

2.8 CONTEMPORARY ISSUES IN SERVICES MARKETING

Despite disagreement, modern marketing though is still largely based on the view that the marketing of services does differ from physical products in important ways. The growing body of literature has brought new insights into services marketing. New concepts have been developed, new approaches suggested and new areas of concern have been identified. Some of the contemporary issues that have emerged are:

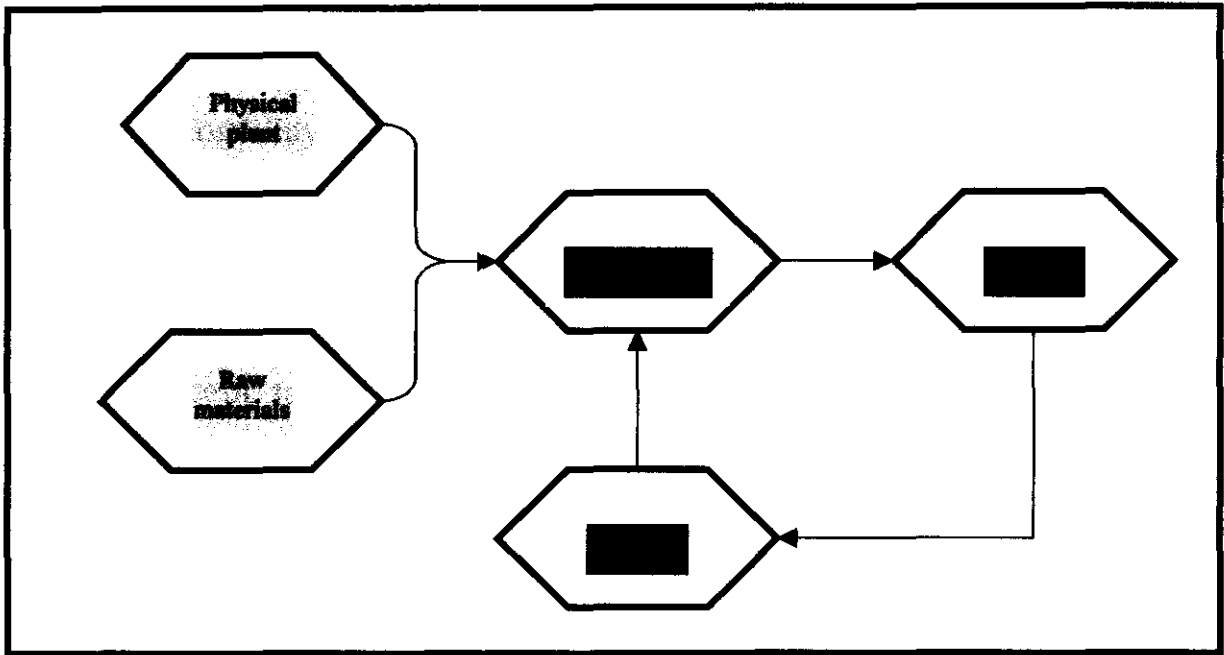
- ❑ Interactive marketing
- ❑ Relationship marketing
- ❑ Internal marketing and
- ❑ Perceptions of quality in a services environment. (Service quality perceptions is discussed in Chapter Three, section 3.8.)

2.8.1 Interactive marketing

As expressed earlier, a service is intangible and cannot be inventoried; production and consumption thus occur simultaneously and customers are often part of the services-production process. The production process for services is depicted in figure 2.5. In the production of services, that part of the service firm that is visible is the physical environment, the personnel and other customers.

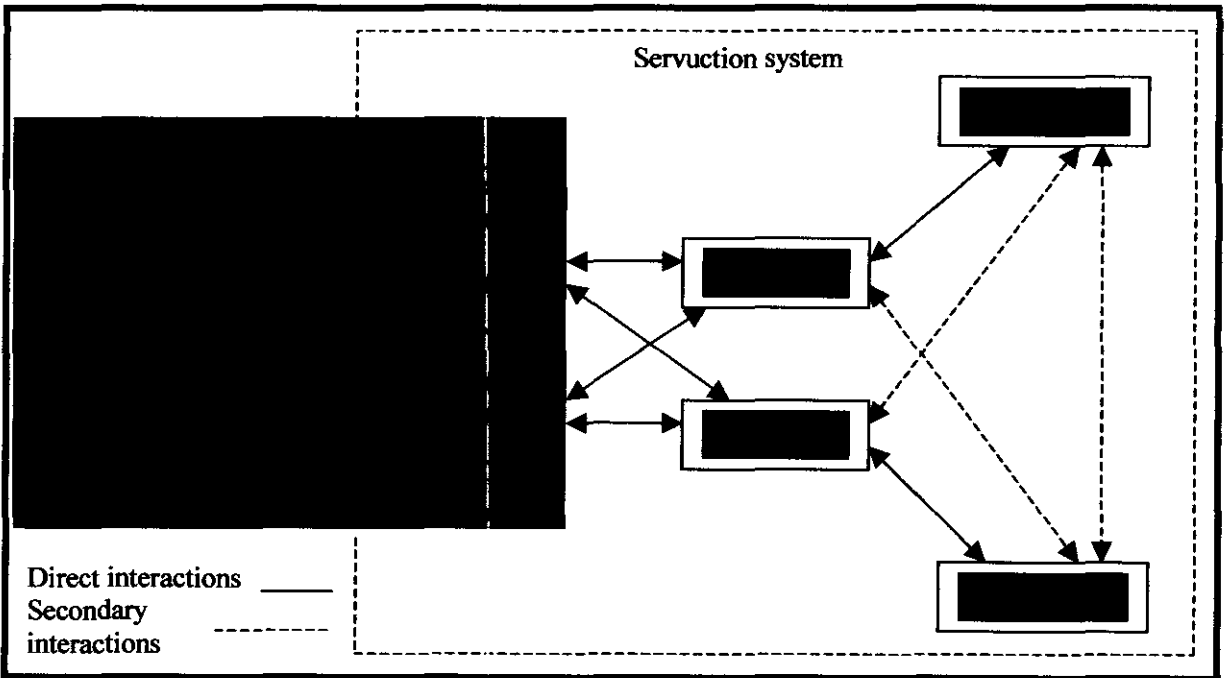
Figure 2.6 depicts the service business as a system. The production personnel (those who provide the service) and the marketing personnel cannot be separated.

FIGURE 2.5 THE PRODUCTION PROCESS FOR SERVICES



Source: du Plessis *et al.* 1995:272

FIGURE 2.6 SERVICE BUSINESS AS A SYSTEM

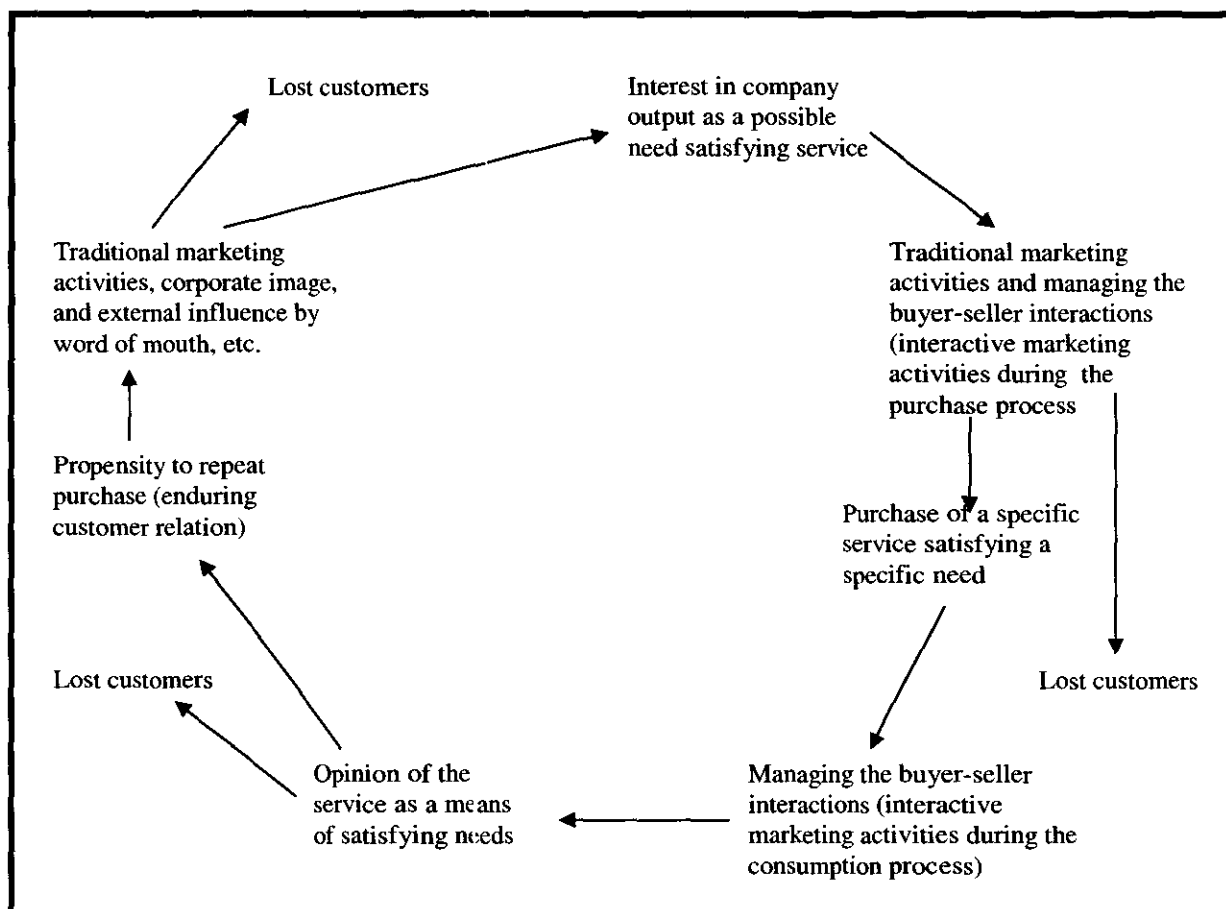


Source: du Plessis *et al.* 1995:273

It is thus essential that marketing, operations and personnel functions are integrated in a service firm. Furthermore, the importance of enduring relationships between the retailer and the customer need to be stressed. By implication both parties need to make a pledge, the retailer, to pledge efficient services and the customer to pledge to fulfil future commitments to purchase, *i.e.* loyalty.

The conceptual model as proposed by Gronroos (1984:89) is shown in figure, 2.7. The model depicted is based on a customer relationship lifecycle concept, which is similar to a product life cycle. It shows that firms have to employ traditional marketing techniques to inform target markets of a retailer's need-satisfying services. If marketing is unsuccessful, potential customers are lost.

FIGURE 2.7 THE MARKETING CYCLE



Source: Gronroos, 1984:89

If marketing is successful, customers may express interest. At this stage, both traditional marketing and interactive marketing should be employed to change consumer interest to actual buying behaviour. Failure to do so will eject the potential customer from the cycle. If the customer has purchased a service, interactive marketing has to be undertaken to reinforce the customer's opinion (evidenced by his purchase) that the firm's service can satisfy his needs. The firm's inability to reinforce a customer's positive opinion of the firm may lead to a possible loss of the customer and the sacrifice of possible repeat purchases.

Interactive marketing implies that organizational considerations such as the service delivery system and organizational structure are of paramount importance. Responsibility for marketing should therefore not only be the domain of the marketing department but of the firm as a whole. This is due to the complex nature of services and the high level of human interaction in service delivery.

In order to reflect the interactive nature of service marketing, the following should take place, according to Booms and Bitner (1981:49).

- ❑ Responsibility for marketing planning should be extended beyond the marketing function.
- ❑ Product planning should reflect the overlapping of services marketing responsibilities.
- ❑ The integrated nature of services marketing demands efficient communication amongst all relevant functional departments, as the actions of one department are likely to influence others.

This emphasizes that marketing should play a pivotal role in service firms (Lovelock, *et al.*, 1981:168). The suggestion of an integrated organizational structure does not merely imply that there is a commonly accepted structure which will guarantee success in firms. A contingency approach, based on the

influence of prevailing environmental considerations is also likely to lead to success (Bowen & Bowers, 1986:78). Environmental considerations may include the presence of high levels of uncertainty due to customer participation in service production, delays during periods of peak demands and environmental service quality. As service quality is likely to be influenced by the service delivery system, it should be structured in such a manner that it is capable of meeting the expectations of customers.

2.8.2 Relationship Marketing

The concept of relationship marketing has emerged within the fields of service marketing and industrial marketing (Gronroos,1994:9) and was introduced during the 1980s (Payne, 1993:30).

Proponents of relationship marketing such as Buttle, Pepper and Rogers and Bitner (cited in Kandampully & Duddy,1999:317) identified various factors that contributed to the development and growth in the importance of relationship marketing; they include:

- ❑ The increasingly global and intense nature of competition,
- ❑ More demanding and sophisticated customers,
- ❑ Rapidly changing customer buying patterns,
- ❑ Continuously increasing standards in quality,
- ❑ The inadequacy of quality in itself to create sustainable competitive advantage,
- ❑ The influence of technology in products and services, and
- ❑ The unreliability of traditional marketing (for example, a decline in overall advertising effectiveness).

Traditional marketing theory has focused attention on encounters as being a series of discrete events, too often viewed in isolation from preceeding

exchanges, and without analysis of both parties' expectations for future exchanges (Gronroos, 1994:04; Keaveney, 1995:80). Although some services can be supplied adequately on the basis of a series of discrete, casual encounters, a relationship-based series of encounters can be useful for both customers and producers in a number of circumstances. (Ravald & Gronroos, 1996:19).

The traditional emphasis of marketing effort on attracting new customers, at times to the detriment of keeping existing ones, can be viewed as shortsighted and even wasteful (du Plessis *et al.*, 1995:279). According to Gronroos (1994:10) organizations are increasingly seeking to move their interactions with customers along a "marketing strategy continuum." The aim is to move away from delivering goods and services by a series of discrete transactions towards continuous delivery through an on-going relationship. The continuum and some marketing management implications are illustrated in Table 2.6. Various types of goods and services can be placed along the continuum as indicated by the bottom part of the figure. Instead on relying solely on new customers, the focus should move towards retention of customers as a cornerstone for future growth. Furthermore, Ravald and Gronroos (1996:19) argue that this shift in focus from attracting customers to retaining customers necessitates the creation of customer loyalty so that a stable, mutually beneficial and long-term relationship is enhanced.

Christopher *et al.* (1993:01) assert that traditionally much of the emphasis of marketing has been directed towards the "getting" of customers rather than the "keeping" of customers. Relationship marketing has as its dual purpose the getting and keeping of customers.

Researchers and practitioners have proposed a variety of definitions in an effort to explain the philosophy that encompasses the concept which supports relationship marketing. Whilst there exists no universally accepted definition of relationship marketing, various researchers have contributed to its

understanding and their concepts used to expound the potential range of relationship marketing (Kandampully & Duddy, 1999:317).

According to Christopher *et al.* (1993:03) marketing is concerned with exchange relationships between the organizations and their customers, and quality and customer service are key linkages in this relationship. The challenge, therefore, is to bring the three “circles” of service, quality and marketing much closer into alignment. These authors sum up the common ground between relationship marketing and quality management in the following statement: “the quality of relationships with people outside the company (customers) depends on the quality of relationships between people inside the company (staff).”

TABLE 2.6 THE MARKETING STRATEGY CONTINUUM

<i>The strategy continuum</i>	Transaction marketing	Relationship marketing
Time perspective	Short term focus	Long-term focus
Dominating marketing function	Marketing mix	Interactive marketing supported by marketing mix activities
Price elasticity	Customers tend to be more sensitive to price	Customers tend to be less sensitive to price
Dominating quality dimension	Quality of output (technical quality dimension) is dominating	Quality of interactions (functional quality dimension) grows in importance and may become dominating
Measurement of customer satisfaction	Monitoring market share (indirect approach)	Managing the customer base (direct approach)
Customer information system	<i>Ad hoc</i> customer satisfaction surveys	Real-time customer feedback system
The role of internal marketing	Internal marketing of no or limited importance to success	Internal marketing of substantial strategic importance to success
<i>The product continuum</i>	Consumer packaged goods → ← Consumer durables → ← Industrial goods → ← Services	

Source: Gronroos, 1997:333

Morgan & Hunt (1994:22) refer to relationship marketing as “those activities directed towards establishing, developing and maintaining successful relational exchanges”. They highlight the importance of trust (in line with Gronroos, 1994:9), co-operation and shared values in maintaining a successful relationship.

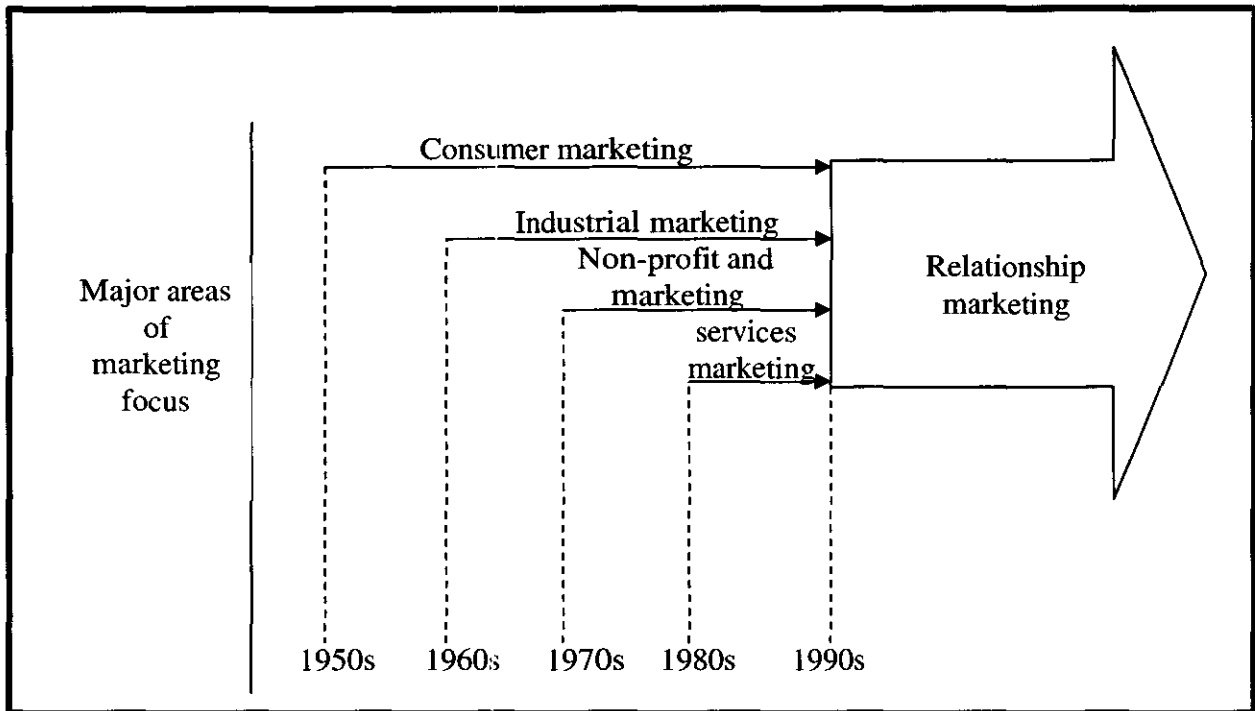
Relationship marketing can be described as an attempt, not only to attract new customers, but also to maintain long-term relationships with them (du Plessis, *et al.*, 1995:280). Crucial to this aim is service quality. If customer expectation of service quality is not met, a mutually satisfying relationship between the service firm and the customer is hardly possible. Service quality thus crucially determines customer satisfaction and customer retention (Moeller, 1986:80). Berry (1995:172) on the other hand, views relationship marketing as attracting, developing and retaining customer relationships and indicate that numerous, long-term benefits can be gained by the firm.

Gronroos (1994:9) defines relationship marketing in the following way: “marketing to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises”. These relationships are usually, but not necessarily long-term. The establishment of a relationship, for example, with a customer, can be divided into two parts: to attract the customer and to build the relationship with the customer so that goals of the relationship are achieved.

The promise concept is an integral element of relationship marketing. A firm that is preoccupied with giving promises may attract new customers and initially build customer relationships. However, if the promises are not kept, the evolving relationship cannot be maintained (Gronroos, 1994:9). Another key element is trust. The resources of the seller, personnel, technology and systems have to be used in such a manner that the customers trust in the resources

and the firm is maintained and strengthened. Figure 2.8 outlines the changing emphasis of and the orientation towards relationship marketing.

FIGURE 2.8 THE CHANGING EMPHASIS ON MARKETING



Source: Payne, 1993:30.

Gummersson (1998:10) defines relationship marketing as marketing, seen as relationships, networks and interactions. The “parent” relationship of marketing is between a supplier and a customer, networks are sets of relationships the parties enter into interaction with each other.

In an attempt to define relationship marketing, (Harker, 1999:17) developed seven conceptual categories of relationship marketing that may encompass its definition. Table 2.7 outlines the seven categories of relationship marketing as presented by Harker.

**TABLE 2.7 SEVEN CONCEPTUAL CATEGORIES OF RELATIONSHIP
MARKETING**

PRIMARY CONSTRUCT	OTHER COMMON CONSTRUCTS
Creation	Attracting, establish, getting
Development	Enhancing, strengthening
Maintenance	Sustaining, stable, keeping
Interactive	Exchange, mutually, co-operative
Long-term	Lasting, permanent, retaining
Emotional Content	Commitment, trust, promises
Output	Profitable, rewarding, efficiency

Source: Harker, 1999:17

These key elements are in part or by implication mentioned in the various definitions outlined above.

Berry (1983:26-28) suggests the following strategies for cementing long-term relations between service firms and their customers:

- ❑ Designing and marketing a core service. A core service attempts to satisfy central rather than peripheral market needs and provides the basis on which a customer relationship can be established.
- ❑ Customising the relationship. Service firms should attempt to tailor their services to meet the specific needs of individual customers.
- ❑ Service segmentation. This means to differentiate the firm's service offering by providing benefits not offered by competition and which are valued by customers. The aim here is to encourage customer loyalty.

- ❑ Relationship pricing. Relationship pricing attempts, by fostering customer loyalty through incentives, to encourage customers to make use of the full range of services offered by the firm.
- ❑ Internal marketing. The theory of internal marketing is that services are largely performed by people during human interaction. The retailer should therefore create the appropriate organizational climate and attract the right type of personnel who will perform services in the appropriate manner.

Service quality depends on employee behaviour, especially that of frontline staff. Frontline staff (those who deal directly with customers) actually determine the level of service quality produced. The behaviour of a single employee may cause a prospective customer to conclude that a firm is friendly or unfriendly, efficient or inefficient. Zeithaml & Bitner (1996a:174) identified five important benefits an organization may gain by adopting the concept of relationship marketing, namely:

- ❑ Increased purchases
- ❑ Reduced costs
- ❑ Free advertisement by word of mouth
- ❑ Employee retention and
- ❑ The lifetime value of the customer.

In their studies Pressey & Mathews (2000:278) came to the following conclusion with regard to relationship marketing:

- ❑ Services, which are most personal, are more likely to involve much communication and so have greater potential for the use of relationship marketing.
- ❑ Successful marketing relationships involve partners rather than adversaries.
- ❑ Relationship marketing is best achieved when neither party dominates the relationship.
- ❑ Service providers who furnish expert advice, effectively handle complaints, engender trust and generally show professionalism tend to create good conditions for relationship marketing.
- ❑ Services with a large amount of contact between the customer and the provider, and a high degree of personal involvement by the customer, create good conditions for relationship marketing to flourish.

In addition, these authors who have used supermarkets, *inter-alia*, in their study, found that supermarkets provide very little opportunity for the development of relationship marketing. Supermarkets are seen as essentially large, faceless organizations, which have few staff and offer a largely impersonal service.

Researchers (Zeithaml & Bitner, 1996a:171) assert that the trend towards consumerism and the changing competitive climate have forced businesses to re-examine their relationships with customers. As a result customer service has become a strategic tool, which is no longer regarded as an expense, but as a positive force for increasing sales and reducing the cost of sales.

Recent interest in relationship marketing has tended to emphasize the producer's perspective of a relationship. It can be argued that with more

knowledge and confidence, consumers are increasingly happy to venture outside a long-term relationship with a service provider (Govender,1998:33), and the service provider in turn can enhance this relationship by developing sound internal marketing policies.

2.8.3 Internal Marketing

More than 20 years ago internal marketing was first proposed as a solution to the problem of delivering high service quality (Rafiq & Ahmed, 2000:449). Despite the growing literature of internal marketing (Ballantyne, 2000:274; Piercy, 1995:22-44; Pitt & Foreman, 1999:25-36) very few organizations actually apply the concept in practice. One of the main problems is the lack of a fully comprehensive definition of internal marketing.

The concept of internal marketing has its roots in the 1980s push for quality in the service sectors through the examination and control of service quality mechanism, namely, employees (Ahmed & Rafiq, 1995:33). The central idea for such a move was that effective service delivery requires motivated and customer-conscious employees.

The term was first coined by Berry (1981:33) who defined internal marketing as “viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization”. Therefore the basic premise of internal marketing is that services are produced by personnel and that the quality of services will largely depend on the performance of the personnel and how well a firm manages its employees. The key assumption underlying this view of internal marketing is based on the notion that to have satisfied customers, the firm must also have satisfied employees.

In their attempt to define internal marketing, Rafiq and Ahmed (2000:452-453) identified, through examining various definitions, five main elements. These are:

- ❑ Employee motivation and satisfaction
- ❑ Customer orientation and customer satisfaction
- ❑ Inter-functional co-ordination and integration
- ❑ Marketing-like approach to the above and
- ❑ Implementation of specific corporate or functional strategies

Thus using the elements mentioned above, these authors define internal marketing as follows: “a planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer orientated employees”. Of importance is that the inter-functional element of internal marketing has also being noted by Pitt and Foreman (1999:02) where the authors emphasized that internal service orientation requires that employees and departments view each other as customers in order to enhance service quality.

Recently, many industries have had to undergo major changes as a result of competitive forces and deregulation. These changes have brought with them new opportunities and challenges. To meet these challenges, an increasing number of organizations have recognized the need for understanding and implementing internal marketing programmes (Frost & Kumar, 2000:359).

Internal marketing, according to du Plessis *et al.* (1995:280) involves the application of the philosophy and practices of marketing to the people who serve the external customer so that the best people can be employed and retained. The idea of internal marketing is to ensure that all employees provide the best presentation possible of the firm.

According to Gronroos (1990:220), internal marketing starts from a notion that employees are first and foremost internal markets for the organization. Furthermore, the author asserts that internal marketing is a pre-requisite for relationship marketing. Researchers (George, 1990:62; Azzolini & Lingle, 1993:38-40) concur that internal marketing is the best approach for establishing a service orientation as the organizational imperative.

Therefore the basic premise of internal marketing is that people produce services and that the quality of services will largely depend on the performance of the people and how well a firm manages its employees. Azzolini and Lingle (1993:40) are of the view that internal customer service is the key to company success and recommend that steps to improve internal customer service should be to assess customers, staff and suppliers to pinpoint performance gaps. Gronroos (1990:227) also argues that internal marketing can contribute towards developing and maintaining a service culture. Because management does not have the ability directly to control service delivery and the moments of truth, it has to develop and maintain indirect control by creating atmospherics, that is, the climate and ethics, that help employees feel that service is the predominant norm guiding their thinking and behaviour.

Gronroos (1990:235) cautions that the external focus of an internal marketing strategy and any internal marketing programme should never be forgotten. Improving the work environment and tasks for the employees is, of course, an important objective; it is nevertheless the external impact of every employee that is the ultimate focus of internal marketing.

Finally, internal marketing should create an internal environment, which supports customer-consciousness amongst personnel. This can only be attained if front-line personnel are treated in the same way as customers.

2.9 SERVICES IN THE CONTEXT OF MERCHANDISE RETAILING

To define services narrowly as only relating to service industries is clearly incorrect. Services are not confined exclusively to traditional service sector businesses. Manufactured products tend to be highly tangible, tightly controlled for variance during production, are often produced away from the customer and can be stockpiled. Services have become an inseparable part of the overall product and are a major factor in consumer buying decisions (Payne, 1993:08).

Many marketing academicians make a clear distinction between service firms (for example Mc Donald's and South African Airways) and retailing firms (Pick 'n Pay and Spar). This distinction does not acknowledge the reality that Mc Donald's and South African Airways are as much retailers as Pick 'n Pay and Spar. All four companies sell directly to consumers; all four are retailers.

Virtually, all goods retailers may offer services for sale and, or offer services that facilitate the sale of goods. Even self-service supermarkets are quite service intensive. This is especially true for highly successful "self-service" retailers who often differentiate themselves not through goods which others carry, but also through service which others have difficulty in matching.

Berry (1986:04) outlines some of the issues that arise in discussion with goods and services retailers:

- ❑ Decentralized marketing

This means that retailers deliver services not only in one central

facility, but instead in multiple facilities (branches) that are geographically close to customers. The decentralization of service performance places a different perspective on the role of a centralized marketing department. The most effective marketing department in a retail firm is that which transforms marketing into more of a line function. The biggest challenge for a marketing department is not to be focused in practising marketing only, but to be wise in getting everyone else in the organization to practise marketing.

- ❑ Customer loyalty

Goods and services retailers alike lament the declining loyalty of customers. Retailers point to intensifying intertype competition and non-stop pricing promotions as primary influences in declining customer loyalties. Retailers are struggling to retain customers and are becoming more aware of marketing's true mandate, which is not to attract customers only, but to have them.

- ❑ Quality of service

Inextricably linked with the issue of decentralized and existing customer marketing is the issue of service quality. Service retailers who sell only service have little to offer if it is poor. Competing goods retailers frequently sell the identical goods; service is the means of differentiation.

- ❑ Institutional branding

Many goods and services retailers are interested in doing a better job of "branding the store". Many goods retailers who once achieved store brand exclusivity through product brand exclusivity must now find

alternative methods to distinguish themselves. One of the ways to do this is through services.

Retailers who primarily sell goods also sell services to customers and in doing so, try to develop a sustainable competitive advantage through the quality of the service offering. It therefore stands to reason that all retailers are services businesses.

2.10 SYNOPSIS

The service sector has emerged as a fast growing component. The marketing concept is equally applicable to organizations in the service sector and to the manufacturing of physical products. The evolution of services marketing literature can be tracked to three metaphorical stages, from its early beginnings in the crawling out stage to the most recent, walking erect stage. As with human evolution, the outcomes of the three would have been difficult to predict at an earlier stage. The ideas that emerged and even the contributions in the field evolved and were shaped by a variety of researchers and academics. The risk-taking of services marketing in the crawling out stage was a key element in shaping the literature. As the phrase walking erect implies, the literature published in this evolutionary stage stands as a beacon as it made a significant contribution to the management practice and academic theories of marketing.

Consumers have gradually learnt to move their support to firms who offer superior consumer satisfaction and consumers have begun to organize themselves to protect their rights as consumers. The rise of consumerism can be viewed as an indication of the need to revise the marketing concept, and as an opportunity for marketing to develop rather than be a threat to its existence. Consumers are to economics what voters are to politics (Turner, 1995:316). In emerging economies consumers, the consumer interest, and the consumer movement stand to play key roles managing this power from knowledge. The generally agreed characteristics of services, which affect marketing, are: intangibility, inseparability, heterogeneity and perishability. Services are

regarded by most authors as intangible, in other words, they cannot be tasted, seen, felt, heard or smelt prior to the purchase. Products are tangible objects that exist in both time and space, while services consist of social acts or interactions that exist in time only (Berry, 1980:26).

Since services are performances produced by people, employees and customers, no two services will be identical. This is an important challenge for service providers in offering consistently high-quality services. Service providers therefore have to expend time and effort in selection, training, managing and motivating their employees.

Products are typically made in a factory, stored and sold by a retailer and used by consumers. The simultaneity of production and consumption creates some special problems for service retailers. First, consumers are present when the service is produced and they may even have an opportunity to see it produced, and in some cases may be part of the production process. Secondly, other consumers, consuming the service at the same time, can affect the quality of the service provided. For example, an obnoxious passenger on an airplane can make the flight very unpleasant. Finally, the service provider often does not get a second chance to satisfy the needs of their customers. While customers can return damaged merchandise to a store, those that are dissatisfied with services have limited recourse.

The characteristics and the sum and substance of a service can vary from retailer to retailer, consumer to consumer and from day to day. Services are perishable, *i.e.* they cannot be saved and used later in times of emergency. As services are performances, they cannot be inventoried and this places challenges on organizations to match supply and demand.

Various researchers have highlighted the active role of the consumer in the service production process. New insights into marketing such as, interactive

relationship and internal marketing, have shed more light to the concept of services marketing and service quality.

Virtually all goods retailers offer services as well and, therefore, retail companies, are services business as well. Some retailers use services to sell goods.

Chapter Three examines service quality, its nature, relationships and strategies commonly employed by practitioners and researchers in improving the quality of services offered by service providers to their customers.

CHAPTER

3

SERVICE QUALITY: NATURE, RELATIONSHIPS AND STRATEGIES

3.1 INTRODUCTION

Quality has been of interest to marketing academics and managers. Whilst products, process quality and total quality emerged as a prime concern in the manufacturing sector, service is acknowledged to be critical for all types of organisations (Ennew, 1993:59). Service quality is currently a focus for many corporate and marketing strategies and a high level of service is seen as a means for an organisation to achieve a competitive advantage (Metha *et al.*, 2000:01).

In simple terms, quality can be thought of as the ability of a service or product to perform its specific tasks. When examining products, there are clearly defined performance specifications against which the quality of a product can be judged. With regard to service, it is seen as an act rather than a specific item and its quality may be judged not only on the outcome (technical quality) but also on the process by which the service is delivered (functional quality) (Gronroos, 1984:36).

Receiving a high level of service is important to consumers, but understanding how to evaluate the service quality received is more difficult. Two consumers receiving what appears to be the exactly the same service may evaluate the quality of their service differently. One customer may feel that the service was good while the other may feel the service was performed poorly. Kurtz and Clow (1998:99) outline three underlying principles that should be borne in mind when examining service quality:

- Service quality is more difficult for the consumer to evaluate than the quality of the merchandise for the consumer to evaluate.

- ❑ Service quality is based on consumers' perceptions of the outcome of the service and their evaluation of the process by which the service is performed, and
- ❑ Service quality perceptions result from a comparison of what the consumer expected prior to the service and the perceived level of service received.

According to Zeithaml *et al.* (1990:20) virtually all organisations compete to some degree on the basis of quality. However, research on quality and its relevance for businesses have been hampered by the lack of a generally accepted definition of the concept. In this chapter, quality will be discussed and analysed together with various related concepts such as customer satisfaction, customer services, expectations and perceptions. The importance of service quality in relation to other constructs will be reviewed. Problems and strategies for the improvement of service quality will also be highlighted.

3.2 DEFINING QUALITY

Whilst there are no clear definitions of quality, Lewis and Booms (1983:99) posit that many definitions of quality focus on meeting customer needs and requirements. Broh (1982:3) defines quality as "the degree of excellence at an acceptable price and the control variability at an acceptable cost".

Juran (1988:4-5) is of the opinion that the concept of quality cannot be described adequately in a few words, but nevertheless identifies two dimensions regarded as critical: product performance and freedom from deficiencies. The former dimension is decisive for product performance and product satisfaction and competes against features of competitors' products. Consumers generally compare these features prior to purchasing. The dimension of freedom from deficiencies refers to those which generally result in complaints, returns, rework and other damages, so called product dissatisfaction.

Parry (1973:15) views quality as satisfactory conformance to specifications and design, such that the product gives satisfaction, dependable service and reliability.

Townsend and Gebhardt (1986:3) distinguish between “quality in fact” and “quality in perception”. The former refers to the degree to which a product or service is produced in accordance with set specifications. This is the traditional way of defining quality and is, according to Townsend and Gebhardt, of limited use as it views quality from a producer perspective only. The latter “quality in perception” addresses this shortcoming as it describes quality as the customer sees it. A product or service achieves “quality in perception” when it meets a customer’s expectations. Believing that quality should not be treated in a simplified and homogeneous fashion, Garvin (1988:49) identifies eight dimensions of quality:

- ❑ Performance: the primary operating characteristics of products,
- ❑ Features: the secondary characteristics that supplement the product’s basic characteristics,
- ❑ Reliability: the degree of probability of a products failure within a specified period of time,
- ❑ Conformance: the degree to which a product’s design and operating characteristics match pre-established standards,
- ❑ Durability: the useful life of a product before it physically deteriorates,
- ❑ Serviceability: the ease, speed, courtesy and competence of repair,
- ❑ Aesthetics: the consumer’s perceptions of how a product looks, feels, sounds, tastes or smells, and
- ❑ Perceived quality: the image, reputation and name of the product.

Whilst, authors have defined quality in general terms or in terms of dimensions or standards, it is appropriate to examine how researchers and scholars define service quality.

3.3 DEFINING SERVICE QUALITY

Defining service quality is particularly difficult as the nature of services, particularly intangibility, complicates the definition (Haywood-Farmer,

1988:20). The result is that a generally agreed upon definition of what constitutes service quality does not exist (Gronroos, 1984:36; Lewis and Booms, 1983:99).

As a result of the absence of a universally accepted definition of service quality, some researchers used basic theories in an attempt to conceptualise service quality, namely, the Attribute Theory, Satisfaction Theory and the Interaction Theory (Boshoff, 1990:143).

The Attribution theory views service quality from a product-quality perspective by describing the attributes of the service delivery system. The theory assumes that the attribute of that which is believed constitutes service quality can be manipulated by management. Gummesson and Gronroos (1987:36) for instance, identify four "qualities" that establish perceived quality: design quality, production quality, delivery quality and relational quality. These qualities are regarded by the authors as being equally applicable to services.

Klaus (1985:17) disagrees with this manner of defining service quality, stressing that quality in service encounters is the sum total of a number of variables (physical, behavioural and psychological). The Customer Satisfaction theory regards service quality as a perception of quality: a service is only of the desired standard if the customer sees it as quality. In this theory, service quality is defined as the difference between expected service and actual service received. This argument has been supported by Lewis and Booms (1983:99) who defined service quality as a measure of how well the service level delivered matches customers' expectations. Delivering quality service means conforming to customer expectations on a consistent basis.

The Interaction theory, on the other hand, claims that service quality is produced through personal interaction between the service firm employees and customers, and that both parties benefit through the mutual satisfaction of needs.

In addition it is also evident that many researchers (Schneider *et al.*, 1980:252-267; Parasuraman *et al.*, 1985:41-50; Haywood-Farmer, *et al.*, 1986:64) in their attempt to define service quality, identified various dimensions or determinants of service quality.

Schneider *et al.* (1980:258-259) ascertained that with reference to bank customers, service quality is judged along the following dimensions: teller courtesy, officer courtesy, teller competence, adequate staff, branch administration, handling services, convenience, employee turnover, selling and employee attitudes.

Parasuraman *et al.* (1988:12-35) initially developed ten dimensions and later reduced the number by correlation to five dimensions of service quality (SERVQUAL) namely, tangibles, reliability, responsiveness, assurance and empathy. These authors define service quality in terms of perceived service quality as the degree and direction of discrepancy between consumers' perception and expectation. Service quality is therefore viewed as a global judgement of an attitude relating to the superiority of the service.

Haywood-Farmer (1988:22) assert that service quality comprises three elements, namely, physical facilities, processes and procedure, personal behaviour and professional judgement on the part of serving staff. To obtain good quality service, the appropriate mix of these three elements must be found and carefully balanced.

Payne (1993:217) views quality from two perspectives: internal and external. Internal quality is based on conformance to specifications. External quality is based on relative customer-perceived quality. It is essential that quality is measured from the customer perspective and not what managers within a company think their customers' views are (Payne, 1993:218). Several reasons have been identified as to why it is unsafe to rely on management opinions of customer perceptions. These include the following:

- ❑ Management may not know what specific purchase criteria consumers consider important,
- ❑ Management may have failed to recognise that consumer needs have evolved in response to competitive product developments, technological advances or market or environmental influences, and
- ❑ Management may misjudge how consumers perceive the performance of competitive products on specific performance criteria.

Evardsson (cited in Lewis *et al.*, 1990:13) presents four aspects of quality that affect customers' perceptions:

- ❑ Technical quality - to include skills of service personnel and the design of the service system,
- ❑ Integrative quality - the ease with which different portions of the service delivery system work together,
- ❑ Functional quality - to include all aspects of the manner in which the service is delivered to the customer, to include style, environment and availability, and
- ❑ Outcome quality - whether or not the actual service product meets both service standards or specification and customer needs and expectations.

According to Lewison (1997:495) service quality can be defined as the difference between a customer's expectation of service and his perception of the service actually received. Terblanche (1998:373) describes service quality as the consumer's overall impression of the relative inferiority or superiority of a firm and its services. Sivadas and Baker (2000:13) explain service quality as a global evaluation of a firm's service delivery system.

Zeithaml and Bitner (1996a:117) define service quality as the delivery of excellent or superior service relative to customer expectations. These authors make a distinction between process and technical outcome quality and maintain that consumers judge the quality of services on their perspective of the technical outcome and how it was delivered. For example, a supermarket customer who has a complaint will judge the quality of the outcome, or how

the complaint was handled and resolved, and also the quality of the process (i.e. the complaints handling procedure and redress methods). Process quality would include such things as the manager's timeliness, his responsiveness in returning to the aggrieved customer, his courtesy and listening skills.

It is clear from the above definitions that service quality is a subjective concept and that many factors both internal and external influence a customer's expectations of a service.

Over the years, service quality and customer satisfaction have been the focus of much marketing theory and practice (Shemwell *et al.*, 1998:155) and arguably, both the concepts are at the core of the marketing concept. The relationship between these two concepts, which are conceptually distinct but closely related constructs (Lee *et al.*, 2000:218), will be analysed.

3.4 CUSTOMER SATISFACTION AND ITS RELATIONSHIP WITH SERVICE QUALITY

In recent years there has been much interest in the conceptualisation and measurement of service quality and customer satisfaction (Spreng & Macoy, 1996:202). There seems to be a great deal of similarity between these two concepts, yet researchers are usually careful to state that they are different concepts (Dabholkar *et al.*, 1996:10). According to Storbacha *et al.* (1994:24), there has been some confusion regarding the difference between service quality and satisfaction. It is only recently that the conceptual and empirical overlap between the two concepts has raised a debate amongst service quality researchers (Bitner & Hubbert, 1994:79-94; Bolton and Drew, 1994:173-2000; Parasuraman *et al.*, 1994:111-124). Some researchers and scholars argue that customer satisfaction leads to service quality, whereas others believe that service quality leads to customer satisfaction. In addition the relationship between customer satisfaction and service quality and the way these two concepts relates to purchasing

behaviour intentions remains largely unexplained (Hoffman & Bateson, 2002:324).

Cronin and Taylor (1992:56) maintain that this distinction is important to managers and researchers alike because service providers need to know whether their objective should be to have consumers who are satisfied with their performance or to deliver the maximum level of perceived service quality. Parasuraman *et al.* (1988:16) also maintain that these two constructs are different.

Customer satisfaction is important because there are significant short and long term costs associated with customer services. Short-term dissatisfaction could result in a walkout, whereas long-term dissatisfaction may lead to customer defection (Galiano & Hathcote, 1994:61).

Various authors and researchers have put forward definitions of customer satisfaction. Customer satisfaction is a measure of how a retail firm's "total product" performs to a set of customer requirements (Nigel *et al.*, 1999:07).

Anton (1996:23) describes customer satisfaction as a state of mind in which customers' wants and expectations have been met or exceeded, resulting in re-purchase and loyalty.

Gerson (1993:07) describes customer satisfaction as "when a product or service meets or exceeds a customer's expectations, the customer is usually satisfied".

Locke (1969:316) argues that satisfaction is the buyers' cognitive state of being adequately or inadequately rewarded for the sacrifice he has made, and posits satisfaction as need fulfilment, pleasure-displeasure, expectation-performance interaction, evaluation of purchase-consumption experience obtained from a purchase.

Westbrook (1981:69-85) defines customer satisfaction as an individual's emotional reaction to his evaluation of the total set of experiences realised

from patronising a store. In contrast, product service satisfaction refers to the consumer's emotional response to his or her evaluation of the experiences obtained from usage, consumption and ownership of the specific goods or services. The total set of experiences realised in patronising a retailer is wide, because retail establishments are complex organisations, comprising products, people, physical environment, policies and procedures, and consumers have repeated contact with them over time. Moreover, in their various interactions with retailers, consumers engage in a variety of different activities, including travelling to and from the store, browsing, shopping, searching for information and purchasing. Thus the varied consumer experiences in connection with retail patronage according to Westbrook (1981:71) can be categorised into two broad types:

- ❑ Experiences related to being in the store itself and dealing with the organisation, and
- ❑ Experiences related to consuming the product and services obtained from the retailer.

It is important to note that consumers will each realise a somewhat different set of in-store and product experiences, depending upon the particulars of their shopping patterns and products required. Therefore, consumers derive satisfaction or dissatisfaction from individual experiences in the store as well as in the use of each product or service.

Oliver (1981:27) defines satisfaction as being a "summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the customers prior feeling about the consumption experience". He further describes satisfaction as an evaluation of the surprise, inherent in a product acquisition and/or consumption experience. The surprise or excitement of the evaluation is of a finite duration, *i.e.* satisfaction soon decays into one overall attitude towards the purchased product, especially with regard to specific retail environments.

Parasuraman *et al.* (1994a:112) posits that satisfaction is more “transaction specific” and that incidents of satisfaction over time result in perceptions of service quality *i.e.* the direction of causality is from customer satisfaction to service quality. Other researchers (Bitner, 1990:69-82; Bolton & Drew, 1991:375) also support the argument that customer satisfaction eventually leads to service quality.

Research undertaken by Cronin *et al.* (2000:202) on the effects of quality, value and customer satisfaction on consumer behavioural intentions indicate that both service quality and service value lead to satisfaction, and that these three constructs should be measured simultaneously and not in isolation.

At least two different conceptualisations of customer satisfaction can be distinguished: transaction-specific and cumulative. From a transaction-specific perspective, customer satisfaction is viewed as a post choice evaluative judgement of a specific purchase occasion (Anderson *et al.*, 1994:55). By comparison, cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experience with a product or service over time.

These reviewed studies demonstrate that there is considerable argument and debate as to the order on which satisfaction and service quality impacts upon customers’ behavioural intentions (Farrell *et al.*, 2001:588). Some authors propose that service quality serves as an antecedent to satisfaction (see Table 3.1), whereas others believe satisfaction precedes service quality. Further work has revealed that service quality and satisfaction have direct relationships with behavioural intentions (Cronin *et al.*, 2000:193-218). Table 3.1 reflects the argument and ongoing debate as to the order in which these constructs impact on consumers’ behavioural intentions.

However, if one examines table 3.1 a majority of the later studies (*i.e.* those from 1992 onwards) favour service quality preceding satisfaction, which leads to customers’ behavioural intentions. It is also clear from the definitions of service quality that a retailer’s product or service consists of a

number of individual elements, which collectively influence customer satisfaction.

TABLE 3.1 CUSTOMERS' BEHAVIOURAL INTENTIONS, SATISFACTION AND SERVICE QUALITY

AUTHORS	YEAR	RELATIONSHIPS PROPOSED
Parasuraman, Zeithaml, and Berry	1985	SAT ----> SQ
Athanassopoulos	2000	SAT ----> SQ ----> BI
Bitner	1990	SAT ----> SQ ----> BI
Bolton and Drew	1991	SAT ----> SQ ----> BI
Parasuraman, Zeithaml and Berry	1988	SAT ----> SQ ----> BI
Andreassen and Lindestad	1998	SQ ----> SAT ----> BI
Chenet, Tynan and Money	1999	SQ ----> SAT ----> BI
Cronin and Taylor	1992	SQ ----> SAT ----> BI
Dabholkar, Shepherd and Thorpe	2000	SQ ----> SAT ----> BI
De Ruyter, Bloemer and Peeters	1997	SQ ----> SAT ----> BI
De Ruyter, Wetzels, Lemmink and Mattsson	1997	SQ ----> SAT ----> BI
Ennew and Binks	1999	SQ ----> SAT ----> BI
Fornell, Johnston, Anderson, Cha and Bryant	1996	SQ ----> SAT ----> BI
Gotlieb, Grewal and Brown	1994	SQ ----> SAT ----> BI
Cronin, Brady and Hult	2000	SAT ----> BI, SQ ----> BI
Parasuraman, Zeithaml and Berry	1994	SAT ----> BI, SQ ----> BI

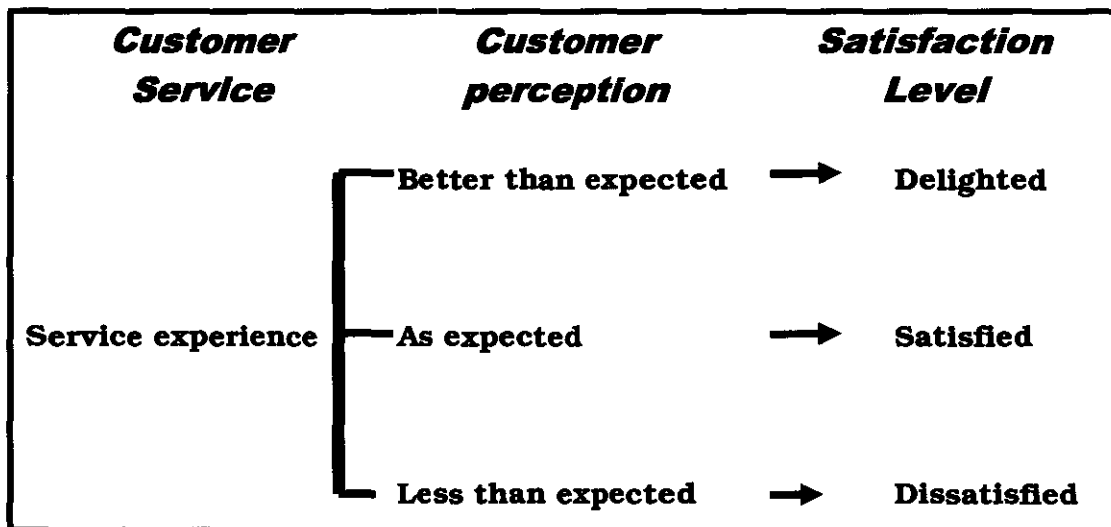
SAT = Satisfaction; SQ = Service Quality; BI = Customers' behavioural Intentions.

Source: Farrell et al. 2001: 588

It represents every aspect of the retail firm (Wellington, 1995:52). It is therefore not solely the product or sales persons' services that create customer satisfaction. Every employee, including top management in retail firms, must have a role to play in delivering a firm's customer care programme.

From a consumer's point of view, satisfaction is easy to grasp. If customers get what they want and if their requirements are met, they are satisfied. Furthermore, satisfaction is not an absolute concept but a relative one (Zairi, 2000:332). It depends very much on interaction, feedback, praise and complaints. It is relative to what the consumer wants. To measure customer satisfaction, therefore, requires one to measure both customer expectations (importance) and the satisfaction aspect (performance). From Figure 3.2 it can be seen that if customers receive less than expected services, they are dissatisfied but they are delighted when they receive more than expected services from a retailer.

FIGURE 3.1 A SIMPLE CONSUMER SATISFACTION MODEL



Source: Anton, 1996:28

Philip and Hazlett (1997:266) argue that the debate as to whether customer satisfaction and service quality are two separate constructs, and the exact nature of the differences between them, is not yet over.

Customer services is intrinsically linked to and a building block for service quality and customer satisfaction. Customer services provide a wide range of creative competitive opportunities to acquire, serve and keep customers.

3.5 CUSTOMER SERVICES

According to Levy and Weitz (1998:571) customer services is a set of activities and programmes undertaken by the retailer to make the shopping experience more rewarding for consumers. Customer services can be seen as all the features, acts and information that augment the customer's ability to realize the potential value of a core product or service (Lewison, 1997:492). It involves the extras the retailer should provide in support of the firm's primary offering of goods and services. These activities increase the value consumers receive from the merchandise they purchase. From Table 3.2 it can be seen that these services furnish information about retailers' offerings and makes it easier for the consumer to locate and purchase the product.

TABLE 3.2 SERVICES OFFERED BY RETAILERS

❑ Acceptance of credit cards ❑ Alteration of merchandise ❑ Assembly of merchandise ❑ Bridal registry ❑ Cheque cashing ❑ Child care facilities ❑ Credit ❑ On time delivery ❑ Demonstration of merchandise ❑ Display of merchandise ❑ Dressing rooms	❑ Gift wrapping ❑ Convenient store hours ❑ Signage to identify merchandise ❑ Facilities for customers with special needs ❑ Lay-bye services ❑ Presentations on how to use merchandise ❑ Repair services ❑ Rest rooms ❑ Return privileges and warranties
--	---

Source: Levy and Weitz, 1998:571

In order to deliver quality service to its customers, retailers should be guided by a set of clearly defined objectives. The following discussion will focus primarily on merchandise retailers.

3.5.1 Creating form utility

Retailers can create form utility by offering services like alterations to garments, installation of home appliances and engraving. Consumers are usually pressed against time with getting the products ready for use and it is therefore the retailer's task to create such utilities for them (Lewison, 1997:496).

3.5.2 Creating time utility

Many consumers want immediate gratification from the products they purchase. Some of the ways that retailers can create time utility is by providing consumer credit and extended store hours. Some consumers do not have sufficient money immediately to purchase products, thus layby services can be provided to assist the customer to reserve the purchase of the product for some future time when payment is more convenient.

3.5.3 Enhancing place utility

Place utility can be enhanced by convenient store locations. For example, some super-centres, hypermarkets and supermarkets have created service courts that house postal, dry cleaning, photocopying, movie rental, entertainment ticket booths, payment of electricity bills and repair facilities. Delivery services could also form part of a retailer's service offering.

3.5.4 Enhancing possession utility

Possession utility can be created by allowing consumers immediate use of products. This can be done by the acceptance of credit cards and by allowing customers to open accounts with retailers.

3.5.5 Increasing customer convenience

Packaging, free parking, cheque cashing facilities, snack bars, and rest rooms, by way of example, all assist in creating customer convenience. Any service that helps customers to walk around and stay in the store not only enhances customers' convenience but also increases the chances of planned as well as unplanned purchases.

3.5.6 Provision of customer security

Parking facilities with security or perhaps rest room attendants make customers feel safe in a shopping experience. Equally important is whether the customer is feeling safe about the product purchased. This type of security can be secured by providing customers with warranties, return privileges, allowances, refunds and maintenance contracts. In this way the perceived risks of their purchases can be greatly reduced.

3.5.7 Developing a customer-focused culture

To focus on the customer requires a firm to change its corporate culture. A change in the process requires a change in the mindset of top management and employees as traditional structures cannot support the cultural and managerial adjustments needed to become customer-focused.

A customer-focused culture is one which focuses primarily on the customer. According to Anton (1996:130), customer focus is an arrangement of the firm and its people that leads to positive experiences for its customers. This focus comes only through the development of a corporate culture that keeps a constant eye on whether customers' needs are being met or exceeded. It is therefore a move away from the profit-focused or management-focused culture. Table 3.3 clearly reflects the two corporate mindsets.

TABLE 3.3 PROFIT FOCUSED AND CUSTOMER FOCUSED CULTURES

Profit-focused	Customer-focused
❑ Standards are adhered to. ❑ Technical skills dominate. ❑ Only salespeople deal directly with customers. ❑ Policies are difficult to change. ❑ Financials are the focus. ❑ Profitability is number one.	❑ Customer designs usability. ❑ Interpersonal skills are key. ❑ Everyone deals with and listens to customers. ❑ Flexibility is encouraged. ❑ Focus is on customer relationships. ❑ Customer satisfaction is number one.

Source: Anton, 1996:131

Anton (1996:132) outlines the following steps that firms should follow in developing a customer-focused culture:

- ❑ Define the firm in terms of continuous service to your customers, from pre-sales to post-sales. Introduce cross-functional thinking and decentralize decision-making. Think like a customer,
- ❑ Identify and differentiate customers in terms of roles, power, special characteristics and needs. No business can satisfy all its customers, therefore target specific products/services for specific niche or target markets,
- ❑ Determine customers' prioritized expectations related to service product attributes (performance and perceptions) and outcome,
- ❑ Continuously measure the degree to which expectations are met. Obtain feedback from customers and act on the information promptly,
- ❑ Continually train, educate and develop people in areas of customer-satisfaction, and
- ❑ Establish internal control measures to manage customer relationships.

According to Massnick (1997:27), the following aspects also make a company truly customer-centric:

- Top management should have the commitment to have the company be customer-centric,
- Decisions on what is best for the customers should be implemented, and
- Compensation and incentives for all employees should be linked to customer satisfaction.

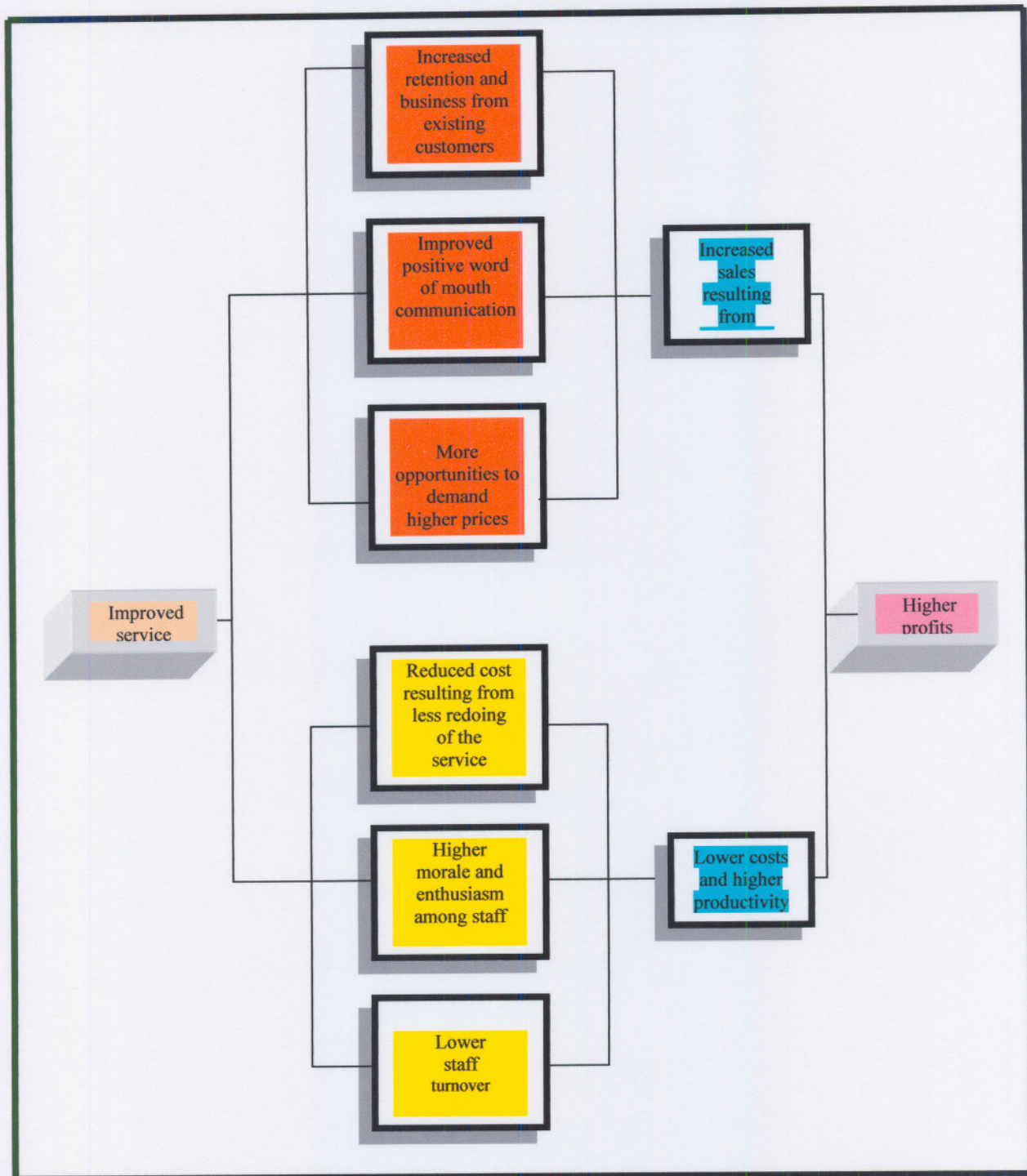
Evident from this discussion is that customer service has evolved dramatically over the years. It has evolved from a purely reactive function to a responsive and proactive function, designed to enhance the retailer's competitive stance and matching the needs of customers.

3.6 THE IMPORTANCE AND RELEVANCE OF SERVICE QUALITY IN SERVICE DELIVERY

Providing reliable service has many benefits for a retail firm. Firms that provide reliable service have higher levels of customer retention and benefits from positive word of mouth advertising (Terblanche, 1998: 317). Providing superior quality service can boost a firm's performance through increased market share. Reliable services can also lead to lower costs (through having to re-perform the service less often), and increased productivity (resulting from higher employee morale and lower employee turnover). Figure 3.3 depicts the benefits derived from service quality.

The cost of not delivering quality service is also high. If the retail firm fails to perform services at levels expected by a customer, the cost may go well beyond losing a single transaction. Customers who have received poor quality service will seldom tell the offending firm of their experiences, but instead spread the experience to friends and relatives. The value of service quality can be best appreciated by analysing its relationships among profitability, price, market share and productivity.

FIGURE 3.2 BENEFITS OF SERVICE QUALITY



Source: Terblanche, 1998:372

3.6.1 Quality and profitability

The influence of quality and its link with profitability have been demonstrated through research. The link between service quality and profits is neither straightforward nor simple (Greising, 1994:54-59; Zeithaml *et al.*,

1996b:31), and the immediate link between the two constructs have not yet been well understood (Keiningham *et al.*, 1995-7-12).

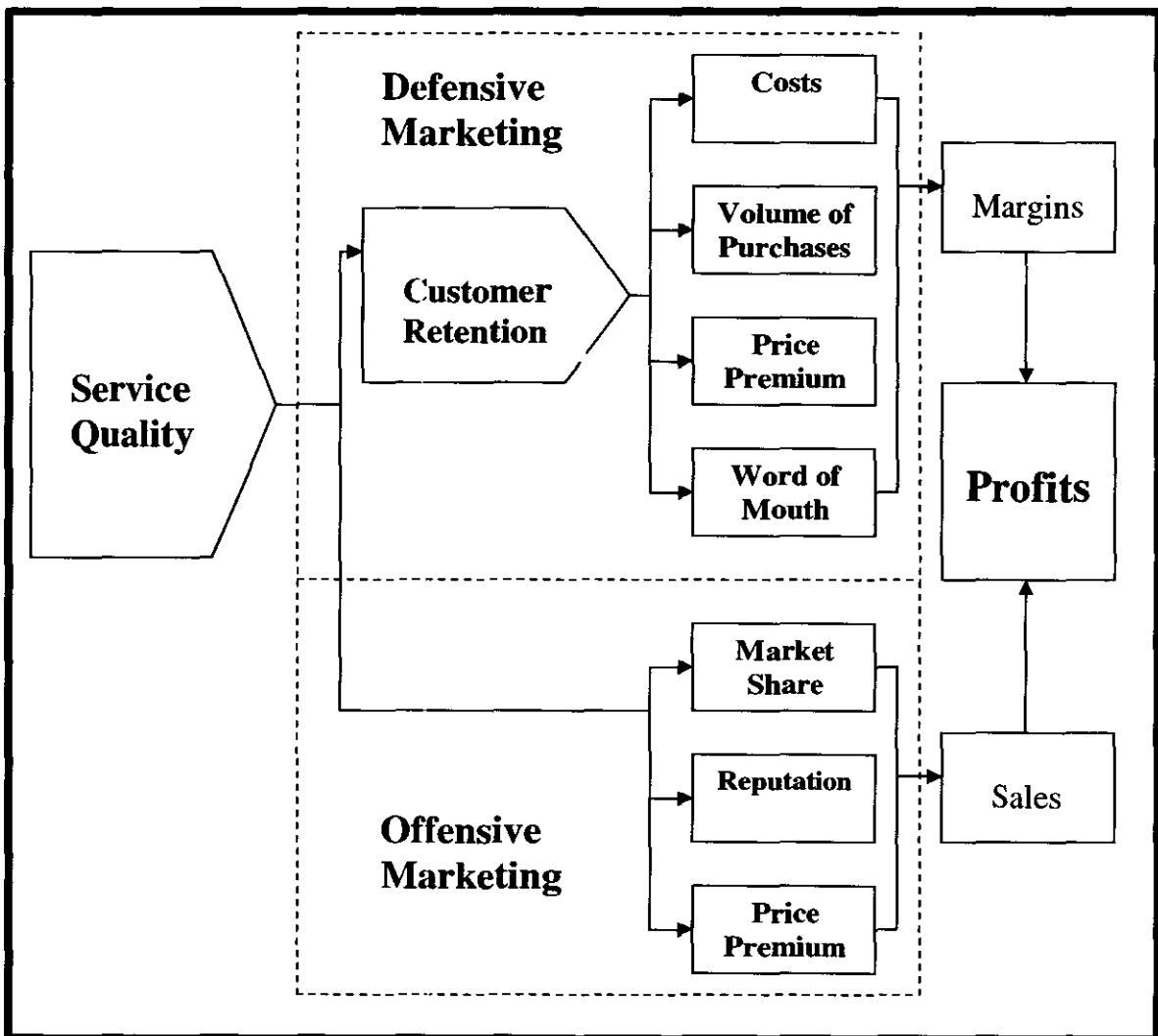
Possibly the most important research work in this field has been the Profit Impact of Marketing Strategy (PIMS) project. Studies using the PIMS data have uncovered significant association amongst service quality marketing variables and profitability. Findings from these studies (Zeithaml *et al.*, 1996b:31) reflect that companies offering superior service achieve higher than normal market share. These authors further argue that service quality and profitability relationship take time to verify, part of the delay being due to the unfounded expectation that the connection was simple and direct. Zeithaml and Bitner (2000:67) maintain that investment in service quality, however, does not track directly to profits for a variety of reasons:

- ❑ Firstly, like advertising, service quality benefits are rarely experienced in a short term. The effects are cumulative and therefore evidence of a link may develop slowly. Furthermore, service quality is just one variable (pricing, advertising and store image are amongst other variables) that can influence profits.
- ❑ Secondly, since many variables such as pricing, distribution, competition and advertising influence company profits, it becomes difficult to isolate the effect of individual variables that contribute to profits, and
- ❑ Thirdly, the mere spending on service quality is not what lead to profits, instead, spending on the right variables is important.

Figure 3.3 reflects a conceptual model that delineates the variables involved in the relationship between service quality and profits. In addressing the question about the impact of service quality on profits, scholars distinguish between offensive effects (*i.e.* market capture and markets share) and defensive effects (*i.e.* retaining customers, lowering marketing and promotional costs). Only a small set of studies exists on offensive marketing (*i.e.* the impact of service on obtaining new customers). These studies usually involve the relationship between service quality and antecedents of

profitability such as market share, a firm's reputation and the ability to command a price premium. When it comes to keeping customers, a firm already has an approach called defensive marketing (Zeithaml & Bitner, 2000:75) and researchers have, in the past ten years, documented and quantified the financial impact of existing customers. Figure 3.3 shows the linkages between customer retention and profits through the identified intervening factors of cost, increased purchases, price premium and word of mouth communication.

FIGURE 3.3 **CONCEPTUAL MODEL OF SERVICE QUALITY AND PROFITABILITY**



Source: Zeithaml, 2000:74

Marcus (1998:494) maintains that attracting new customers is five times as costly as retaining an existing one. Consultants and researchers who have focused on these relationships assert that customer defections have a strong impact on a company's profit and market share. Customers who are satisfied with a company's services are likely to increase the amount of money they spend with that company. Evidence suggests that a customer who notices and values services provided by a company pay premium prices for them. (Zeithaml & Bitner, 1996a:255). The authors cite an example of Granite Rock, winner of the 1992 Balridge Award, a company which has been able to command prices up to thirty percent higher than competitors.

In addition, word of mouth communication has been considered more credible than other sources of information. Word of mouth brings new customers to the firm, and the financial cost of this form of advocacy can be measured by a company in terms of promotional costs it saves, as well as the income generated from new customers.

Danaher and Rust (1996:63-85) also maintain that the longer customers stay with companies, the lower the costs to serve them, the higher the price premium they tolerate and the greater the positive word of mouth communication they engage in. Lowering customer defection rates can be profitable. Research has shown that retaining customers is a far more profitable strategy than gaining marketing share or reducing costs (Zeithaml & Bitner, 2000:76).

Rust *et al.* (1995:58-70) proposed a model of service quality improvement and profitability. Based on the model the researchers found that service quality improvements led to higher customer satisfaction and retention rate, generated greater revenue and market share, achieved cost reduction, attracted greater revenue and yielded greater profitability. In their study of retail stock brokerage firms, Chang and Chen (1998:258) found a positive effect of market orientation on service quality as well as on profitability. Findings from research studies undertaken by Anderson *et al.* (1994:66)

indicate that the economic returns from improving customer satisfaction is not realised immediately. Because efforts to increase current customer satisfaction primarily effects future purchasing behaviour, the greater portion of any economic returns from improving customer satisfaction will be realised only in the subsequent periods. By implication, long-run perspective is therefore necessary to evaluate efforts to improve service quality and customer satisfaction. In addition, the authors maintain that resources allocated to improving service quality and customer satisfaction should be treated as an investment rather than an expense. Loyal and satisfied customers are revenue-generating assets of the firm that are not without cost to acquire, retain and develop.

In their study, Grant and Schlesinger (1995:59-72) emphasised the importance of realising the customers' full potential. Using a grocery store context, they calculated the impact of expanding the customer base by 2% with primary shoppers. A profitability increase of more than 45% was realised.

Rust *et al.* (1995:59) posit the view that improving quality helps to a point, but past it further expenditure on quality is unprofitable. Using the return on quality approach (ROQ), these authors showed the link between service quality and profits. However, they also maintain that it is possible to spend too much on quality and that not all quality expenditures may be equally valid. In the same vein, firms that have been lauded for their service quality programmes have run into financial difficulties, in part because they spent too lavishly on customer service. For example, the Wallace Company won the Malcolm Balridge National Quality Award in 1990. The high levels of spending on quality enabled them to win the award, but at the same time, produced unsustainable losses and within two years they were bankrupt. Similarly, Florida Power and Light spent millions to compete for Japan's prestigious Deming Prize. Failure to pay attention to the rising costs caused a backlash by ratepayers, resulting in its quality programme being dismantled (Weisdanger, 1993:60). These experiences therefore reveal to us that there are diminishing returns to expenditures on quality. Table 3.4

synthesizes existing research and company evidence in order to identify relationships between service quality and profits.

**TABLE 3.4 NEGATIVE SERVICE QUALITY AND PROFITABILITY
RELATIONSHIPS**

TOPIC	RESEARCH	FINDINGS
Service Quality and Profits	Negative evidence	
	Bounds, York, Adam, and Ranney. (1994)	Implementation problems led quality to fail to affect business performance.
	Ittner and Larcker (1996)	Only 29% of the executives stated that they could link quality to accounting returns such as return on assets and only 12% could link their TQM initiatives to the creation of value.
	Sterman, Reppenning and Kofman (1997)	Many quality strategies failed to deliver anticipated business performance improvements in many companies.
	Greising (1994)	Only a few firms that were contacted for a story on the relationship between quality and financial performance could provide documentation. Internal process orientation was often to blame.

Source: Zeithaml, 2000:68

**TABLE 3.5 POSITIVE SERVICE QUALITY AND PROFITABILITY
RELATIONSHIPS**

TOPIC	RESEARCH	FINDINGS
Service Quality and Profits	Positive evidence	
	Anderson, Fornell and Lehmann (1994)	They found a significant association between customer satisfaction and accounting return on assets (ROR)
	Hendricks and Singhal (1997)	Found strong evidence that firms that won quality awards outperformed control firms on operating income based measures. The mean change in income over a ten year period for the test sample was 107% higher than that of the control sample.
	Easton and Jarrel (1998)	Found quality improvements was related to overall corporate performance.
	Rucci, Kirn and Quinn (1998)	Using a system of measurement called Total Performance Indicators found profits documenting a turn-around at Sears from 1992 to 1993. Sales increased by 9%.

Source: Zeithaml, 2000:69

At an aggregate level, a growing body of evidence is emerging about the relationship between service quality and profitability. Academically this

research stream began with the Profit Impact of Marketing Strategies (PIMS) cross-sectional company database studies which enabled researchers to investigate relationships amongst strategy variables. (Zeithaml, 2000:71).

As documented above, research on the direct relationship between service quality and profits has shown both positive effects in a limited number of studies and no effects in other studies. Despite some disagreements and some negative findings, the relationship between quality and profitability is probably the least controversial of the correlates of quality (Boshoff, 1990:87).

3.6.2 Quality and price

In contrast to the quality-profitability relationship, the quality-price relationship is more controversial (Boshoff, 1990:87). Price, from a consumer's perspective, is what is given up or sacrificed to obtain a product. Despite the fact that a large number of research studies have addressed the price-quality relationship issue, both theoretical and empirical results still remain inconclusive.

Zeithaml (1988:11) argues that price is extraneous to service quality and therefore not a quality attribute. She argues that research studies have tried to test whether price and quality are positively related. Despite the expectation of a positive relationship, results have provided mixed evidence and that the relationship has not clearly surfaced. She maintains that price becomes less important as a quality indicator where other product quality cues, such as brand name or store image, are present. Exploratory and survey research studies also undertaken by Parasuraman *et al.* (1985:41-50) indicate that price is amongst the least important attributes consumers associate with quality. Studies conducted by Sproles (1977:63-77), which correlated prices of products with quality ratings obtained through consumer reports, found that price-quality relationships appeared in only 51% of the 135 product categories, no relationships were found in 35% and negative relationship was found in 14% of the product categories. In a cross

sectional study using price and quality data over a 15-year period (1961-1975), Riesz (1978:22) confirmed the price-quality relationship and found that it remained essentially unchanged. In a longitudinal study of the price-quality relationship in a well-defined product category over a 30-year period (1961-1980), however, Curry and Riesz (1988:44) concluded that the price-quality relationship actually weakens over time.

In their study, Stafford and Enis (1969:457) confirmed that price does serve as a cue to quality perception (especially if price is the only cue present), but they offer some experimental evidence which reveals that extrinsic cues other than price (for example, store image) have a significant influence on quality perceptions of their respondents.

Monroe (1973:75) argues that most past price-quality research has been exploratory and has not succeeded in resolving the question of when price is used to infer quality. According to the author, contingencies affecting the use of price as a quality indicator fit into three categories: informational factors, individual factors and product category factors. The first category of factors believed to affect the price-quality relationship, consists of other information available to the consumer. When intrinsic cues to quality are readily available, when brand names provide evidence of a company's reputation, or when the level of advertising communicates the company's beliefs in the brand, the consumer may prefer to use those cues instead of price.

Several individual factors may also account for variation in the use of price as a quality signal. One explanatory variable is the price awareness of the consumers: consumers unaware of the product price obviously cannot use price to infer quality. Through research, Kerin *et al.* (1992: 376-397) examined the effect of store shopping experience on consumers price, quality and value perceptions in supermarkets and found that perceived store shopping experience is more important than merchandise price or quality perceptions. These researchers further assert that research should focus on

one particular type of retailer, since specific price and quality cues can vary across retailers.

Consumers also appear to depend more on price as a quality signal in some product categories than in others. For example, in packaged goods categories (such as beverages) where products differ little in price, the consumer may not attribute higher quality to products that cost only a few cents more than those of competitors. In categories where little variation is expected amongst brands (such as salt or sandwich bags) price may function only as an indicator of sacrifice, whereas in categories where quality variation is expected (such as sea-foods or washing machines) price may also function as an indication of quality.

Olson (1977:267-286) also reflects on similar findings. He maintains that the availability of intrinsic and extrinsic cues other than price typically results in weighting these factors (for example, brand name) as more important than price. He concluded that a brand name is a stronger cue than price for evaluating overall service quality.

In examining the effects of price, brand and store information on buyers, understanding of the product quality and value, as well as consumers willingness to buy, Dodds and Monroe (1991:315) also found varying results. They found that when price was the only extrinsic cue available, consumers perceived quality to be positively related to price. When other extrinsic information was present (for example, brand information), the results were less persuasive.

Injazz *et al.* (1994:26) state that the relationship between quality and price appears to be product specific and generally weak. They conducted an empirical study in three different service industries on the relationship between perceived price and perceived service quality and found that such relationships are service specific. Yoon and Kijewski (1997:51) examined the relationship between products' features, consumers' quality evaluation and

pricing in the context of a product market environment. Using regression analysis they revealed that associations between price and quality were insignificant. However, associations between product features and price, or between product features and quality, varied across the different product categories.

Research undertaken by Sweeney *et al.* (1999:99) found that product price has a positive effect on product quality. However, these findings were limited only to electrical appliances and therefore cannot be generalised to all types of products. However, research conducted by John and Howard (1997:254) showed that price/value was less often mentioned as a positive perception of performance than as an expectation. They maintain that customers definitely regard price/value considerations as part of the service bundle.

In more recent research undertaken by Tse (2001:12) to investigate the relative importance of price and service in the context of a restaurant selection, in order to determine how much more consumers are willing to pay for a high level of service, he found that price is more important than service in affecting consumers choice.

It therefore appears that price as a quality indicator differs by product categories and depends on several factors, one of which is the other information available to consumers. When service cues to quality are readily accessible, when brand names provide evidence of a company's reputation, or when levels of advertising communicate the company's belief in the brand, customers may prefer to use those cues instead of price (Zeithaml & Bitner, 1996a:491). In other situations, however, such as when quality is hard to detect or when quality or price varies a great deal within a class of services, consumers may believe that price is the best indicator of quality. Another factor that increases the dependence on price as a quality indicator is the risk associated with the service purchase. In high-price situations, many of which involve credence services such as medical treatment or management

consulting, the customer will look to price as a surrogate for quality (Zeithaml & Bitner, 1996a:491).

The study of price-quality relationships has, in its totality, suffered due to the lack of consensus, and even comparisons with some quality standards are flawed since standards are, in the final analysis, that which is subjectively judged to be a indicator of quality (Boshoff, 1990: 98).

In the case of goods, which, are dominated by search properties, price is not used to judge quality as often as it is in services, where experience and credence properties dominate.

3.6.3 Quality and market share

The goal of embracing service quality with religious fervour is not new to many retailers (Hellofs & Jacobson, 1999:16). Whilst various linkages (both positive and negative) have been reported in literature with regard to price and quality (Zeithaml, 1988:11; Reisz, 1978:22; Injazz, 1994:26; Sweeney *et al.*, 1999:99), two streams of thought have also emerged with regard to the relationship between service quality and market share.

One stream of thought emphasises the positive effects of market share on consumer perceptions of quality. Caminal and Xavier (1996:222) maintain that higher current market share can be interpreted by consumers as a signal of higher quality. These authors note that this creates additional incentives to compete for market share as they attempt to influence consumers' perceptions of quality.

Another stream of thought, however, emphasises the negative effects that increased market share may have on perceived quality (Hellofs & Jacobson, 1999:18). According to this stream of thought, perceived quality decreases as market share increases. Widespread popularity can strain resources and therefore diminish quality. When product usage rises beyond a certain

threshold, systems can become overburdened and service times can increase. For example, America Online faced such a reality as part of their growth strategy. Constant busy signals prevented customers from accessing the system and they were unable to add capacity to coincide with its growth (Hellofs & Jacobson, 1999:17). Studies conducted by these authors found negative effects of market share and quality, *i.e.* perceived quality falls as market share rises. This is in line with the findings above. Their studies also found that for premium priced brands, which are not exclusive, market share gains had a positive effect on quality.

Studies involving life insurers show that companies with low service quality tend to lose market share (Schmitt, 1997:32). Anderson *et al.* (1994:65) found an inverse relationship among service quality, customer satisfaction and market share. They found that customer satisfaction and service quality may actually fall as market share increases. For example, whereas a small market share firm may serve a niche market, a large market share firm often must serve a more diverse and heterogeneous group of customers. The firm may therefore try to extend its capabilities as the number of customers and market share grows. In such a situation, even though the overall level of customer service and service quality is falling, a firm's sales and profits may be increasing. It is worth noting that this may be the case in the short term. In the long term, it is possible that customer satisfaction, service quality and market share grow together, but there is increasing evidence that this is not always the case in the short term.

Rust *et al.* (2000:438-469) used conjoint analysis in their studies and found that market share can increase if there are no changes in service quality and price. They infer that inertial effects in market share can be caused by variables such as advertising and increased selling effort. Thus, according to these researchers, if major quality improvement initiatives are undertaken, market share would increase.

Therefore it appears that if a trade-off between market share and quality cannot be avoided, managers need to weigh the financial implications of

alternative strategies. In some cases, focusing on quality may lead to greater value, whilst in other cases market share may generate long term profits. The real challenge for managers is to try to overcome the negative impact of market share expansion on consumers' perceptions of quality. One of the methods of reducing negative effects of market share gains on perceived quality is to apply technology and management methods to provide variety, customisation and quick response to customer's needs.

3.6.4 Quality and productivity

Service firms find themselves in a changing environment. On the consumer side, the number of services offered to them is being augmented thus leaving them with more alternatives. Therefore, making sure that customers become and stay satisfied is crucial. Firms thus have to know their own performance in terms of productivity and quality.

Productivity and quality are both an appreciation of how well the resources in any activity are used. The kind of appreciation and the relative emphasis placed on productivity or quality depends on how output is defined and whose view is taken into account (Van Rooy *et al.*, 1998:360). From the customer's point of view an output is seen as the result of the exchange process between the service firm and the customer. When customers evaluate the service process and outcomes of a firm, they take into account considerations other than productivity. Other elements can be organised around service quality. From a firm's view, output is the result of a particular transformation process, whereby firms look at the utilisation of their resources during the process. In their research, Van Rooy *et al.* (1998:360) used process analysis to show the relationship between quality and productivity and found that treating them simultaneously and taking both views into account within the service delivery process results in a balanced trade-off. Research undertaken by Lee *et al.* (2001:604-625) on the relationships between quality and productivity approaches currently used in

Chinese companies found a strong correlation of company performance with quality and productivity improvements.

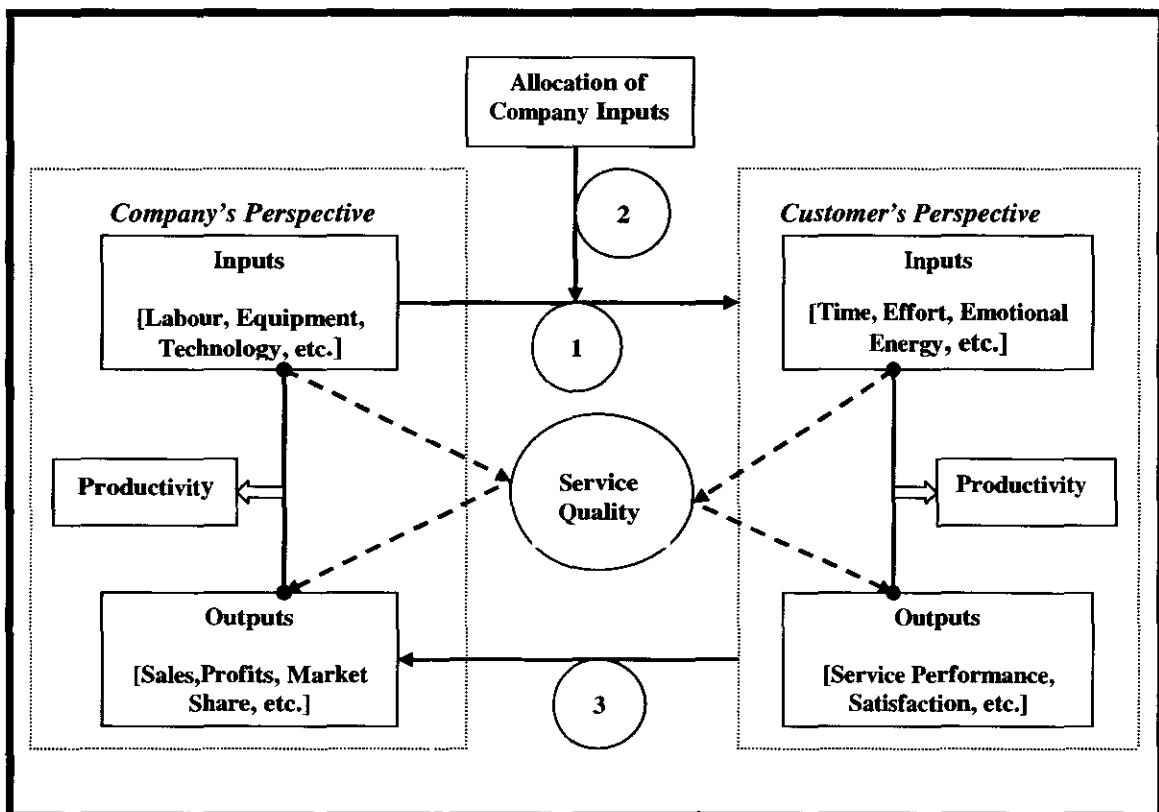
In studies of the relationship between service quality and productivity, Parasuraman (2002:06) posits that conflict often arises between cost considerations and customer service improvements, which are often resolved in favour of the former. This is especially true within firms which are aiming particularly at boosting bottom lines by cutting costs. While increasing service productivity is laudable, especially in the short term, a sole focus on it can be counterproductive in the long term. The author's view that the producer-oriented concept of productivity, *i.e.* increasing units produced (output), with no increase or less than proportionate increase in production costs (inputs), or decreasing production costs or less than a proportionate decrease in units produced, is insufficient for service contexts. This is so because, in a service context, what is produced is a set of "performances" that is typically produced and consumed simultaneously. In a service context, customers often play a co-production role, providing some form of direct or indirect input in the form of time, physical effort and mental energy.

Parasuraman (2002:07) defines productivity from a customer's perspective as the ratio of the service output experienced by a customer to the input provided by that customer as a participant in the service production. Customers therefore suffer when managers in service-producing businesses use productivity-improvement methods of their counterparts (manufacturing businesses). By the same token, service managers who focus solely on improving productivity from a customer's perspective cannot afford to do so, unless they have an unlimited budget. It is therefore evident that a balanced perspective is needed to approach productivity. Productivity should be approached from a dual, company-customer perspective, so that they can benefit from synergies which may not be otherwise present when focussing on a single perspective. Figure 3.4 depicts a conceptual framework that encapsulates the company and customer perspectives of productivity and portrays the central role of service quality in linking the two concepts. As

implied by the dotted arrows leading to the oval of the framework, inputs from both the company and the customer influence service quality. A noteworthy point, in figure 3.4 is that the framework depicts a company's output in broad terms (for example, sales and profit) rather than in narrow terms (for example, number of customers served and number of transactions processed).

Furthermore, the components of productivity from the two perspectives also have some direct linkages. The relationship labelled "1" in Figure 3.4 captures the notion that as a company channels more resources into service provision, the customer's input should decline.

FIGURE 3.4 SYNERGISTIC INTERPLAY BETWEEN SERVICE QUALITY AND PRODUCTIVITY



Source: Parasuraman, 2002: 09.

For example, if a call centre increased the number of telephone

representatives, customers' waiting time and frustration in obtaining services should decline. The linkage labelled "2" suggests that the extent to which changes in company inputs trigger changes in customer inputs will depend upon how the company allocates its available inputs. Therefore, if a company increases its inputs but allocates them incorrectly, for example, a call centre spending its resources more on sprucing up its facilities than on more pressing issues such as employee training, the corresponding reduction in customer inputs will be lower than if the company inputs are allocated appropriately. The relationship labelled "3" in the figure reflects the intertwining of two productivity perspectives. Outputs from the customer (for example: Was the service performed properly and as promised? Was the service experience pleasant?) may impact on company outputs such as sales and profits.

It therefore appears that improving service quality and boosting productivity are in conflict only when productivity is narrowly defined and is seen from the retailer's standpoint. What is required is a balanced trade-off between quality and productivity, taken from both the retailers' and the customers' perspectives.

3.7 CUSTOMER FORMATION OF EXPECTATIONS

Customers have specific and concrete expectations of a service retailer. These expectations may include such aspects as price, quality of service outcome, quality of interaction with store personnel. (Clow & Beisel, 1995:33). Two concepts are important in the understanding of expectation, the anticipatory nature of expectations and their normative quality.

Generally, a consumer's expectation of a service retailer is anticipatory when dealing with the firm for the first time. Expectations take on a normative quality when they have become established through previously encountered situations, *i.e.* when the consumer can consistently anticipate the behaviour of the service retailer (Boulding, 1993:9-27). Thus when a consumer has interacted with a service retailer and has experienced a certain level of

service that is satisfactory, the consumer expects that the retailer will continue to behave so in future encounters.

Furthermore, the performance of a service retailer may result from:

- Knowledge of what the retailer was able to do in the past,
- Knowledge that the retailer has the ability to perform the service, and
- Knowledge that others, in whose opinion the consumer has confidence, believe that the retailer can perform the service.

A customer's expectation is based on the knowledge and experiences of the retailer and its competitors (Levy & Weitz, 1998: 576). For example, a customer shopping at a large supermarket expects the store to have knowledgeable salespeople who can provide information and assistance.

Robledo (2001:28) outlines various additional sources of expectations. These include:

- Informal recommendations, *i.e.* word of mouth communication. Gronroos (1990:158) re-affirms this is one of the most influential sources of expectation,
- Formal recommendations, for example, those found in publications such as consumer magazines,
- The price to be paid for a service determines in the consumer's mind the level of quality to be expected,
- The elements of the promotional mix that convey a message to the customer that has an influence on expectations,
- Personal needs determine what is important for the customer and what is not, and
- A good corporate image as it shapes positively the expectations of customers.

According to Gronroos (1984: 36-44), in evaluating the quality of service, two primary dimensions of technical and functional quality are filtered through the image that the client has of the service firm. Thus because of the impact a firm's image has on consumer expectations and purchase intentions, managing a firm's image becomes a critical marketing function. Managing a firm's image begins with retailers delivering the service that is promised to customers. This image impacts not only on consumers' evaluation of the service, but also on what they will expect from the retailer during the next service encounter.

Before and during the service encounter, consumers look for tangible cues to indicate what to expect in terms of the firm's capabilities and service performance. Tangibles such as décor, furniture and equipment impact both on what consumers would expect during the next service encounter and their image of the firm. In addition, the image that the customer has of a service firm is affected by word of mouth communications a consumer receives from others (Clow *et al.*, 1991:99). Booms and Bitner (1981:48) and Zeithaml *et al.* (1985:33) reaffirm that customers use tangible cues in the physical environment of a service business to create or modify the image of the retailer.

Boulding *et al.* (1993:09) views customer expectations as "pre-trial beliefs about a product or a service". Therefore, in the absence of any information, prior expectations of service will be completely diffused. Zeithaml & Bitner (1996a:76) view customer expectations as beliefs about service delivery that function as standards or reference points against which performance is judged. Therefore, knowing what the customer expects is the first and critical step in delivering quality service. Being wrong about what customers want may mean losing a customer to another company. In addition, being wrong may mean expending money, time and other resources are of no concern to the customer.

Booms and Bitner (1981:47) explain expectations as "desires or wants of customers-what they feel a service product should offer-which are formed on

the basis of previous experiences with a retailer and its marketing mix inputs which include physical evidence, process and people". The physical environment comprises facilitating goods and tangible clues which may be essential or peripheral to its service being bought; process refers to the service delivery system, and people comprise those service personnel (both customer contact and back room) who are central to the production of the service.

Olson and Dover (1979:179) view expectations as "consumer defined probabilities of the occurrence of positive or negative events if the consumer engages in some behaviour". This definition applies equally to product purchase, store patronage and complaining behaviour.

Expectations, according to Oliver (1981:33) have two components: a probability of occurrence (for example, the likelihood that a clerk will be available to wait on customers) and an evaluation of the occurrence (for example the degree to which the clerk's attention is desirable or undesirable). The author explain expectations in terms of high and low levels as follows:

Expectations

High

Shopper anticipation

Desirable events will occur.

Undesirable events will not occur.

Low

Desirable events will not occur.

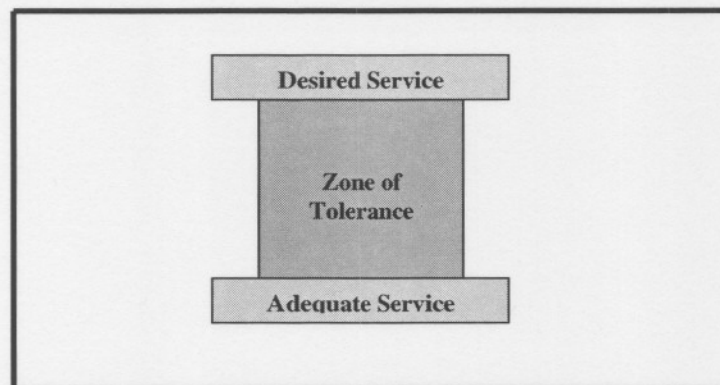
Undesirable events will occur.

The author further posits the view that consumers' expectations for retail settings encompass what we often refer to as retail images. The objectives of these expectations are those attributes of the store, which constitute its image. In service quality literature, researchers therefore view expectations as desires or wants *i.e.* what one feels that a service provider should offer, rather than would offer and that these expectations are formed on the basis of previous experience of a particular retailer, whilst in satisfaction

literature, expectations are viewed as predictions made by consumers about what is likely to happen during an impending transaction or exchange (Parasuraman *et al.*, 1988:17).

Consumer expectations are usually reasonable, but they can vary depending on circumstances and experience (Oliver, 1981:25). Because services are characterised by heterogeneity, consumers learn to expect variation in service delivery from one location to the next and even from the same provider from one day to the next (Hoffman & Bateson, 2002:314). Consumers who accept this variation develop a zone of tolerance, which reflects the difference between desired service and adequate service. As shown in Figure 3.5 if service drops below the adequate service, the minimum level considered acceptable, customers will be frustrated and their satisfaction with the company may be undermined.

FIGURE 3.5 ZONE OF TOLERANCE



Source: Zeithaml and Bitner, 1996a:80.

If service performance is outside the zone of tolerance at the top end – where performance exceeds desired service – the customers would be pleased. As an example, consider the service at the cashier at a supermarket. Most customers hold a range of acceptable times for this service encounter, probably between five and ten minutes. If the service consumes that period of time, customers probably may not pay much attention to the wait. If a customer however enters the queue and finds sufficient cashiers at their

queue to serve the customers, and the customer is served quickly, the customer may notice that the service was excellent. On the other hand, if the customer has to wait for fifteen or twenty minutes in the queue, due to insufficient cashiers, he may begin to grumble and perhaps look at his watch. Therefore, the longer the wait is outside the zone of tolerance, the more frustrated the customer becomes.

Customers' service expectations are characterised by a range of levels, bonded by desires or adequate service. This tolerance zone, representing the desired service and the level of service considered adequate, can expand and contract within a customer. For example, a supermarket customer's zone of tolerance will narrow when he is running late. On the other hand, a customer who is not pressed for time may have an expanded tolerance zone and make the wait far less noticeable.

Thus a desired level of expectations is what consumers hope to receive, a blend of what can and should be, which is the function of past experiences. The adequate level is what is acceptable, based on an assessment of what the service will be. Separating these two levels is a zone of tolerance that represents the range of service performance a customer would consider satisfactory.

Furthermore, it has been argued that expectations are not stable and change over time (Clow & Douglas, 1993:22-23). For example, if consumers are exposed to additional promotional material, or word of mouth communications from a friend, such information may be expected to influence the customer's expectations.

Due to the complexity of a retail store milieu, the potential for expectancy disconfirmation is greatly enhanced. During shopping at a supermarket, for example, parking areas may be full, stock-outs may occur, cashiers may be discourteous or on the pleasant side, an unanticipated bargain may be encountered. Essentially, disconfirmation is a mental comparison of an actual state of nature with its anticipated probability. According to Oliver (1981:35) these states of nature may be perceived as worse than expected

(negative disconfirmation), better than expected (positive disconfirmation) or just expected (confirmation). Table 3.6 outlines the three scenarios with regard to disconfirmation of expectations.

TABLE 3.6 SCENARIOS REFLECTING DISCONFIRMATION OF EXPECTATIONS

DISCONFIRMATION	SHOPPER EXPERIENCE
Positive	Low probability described events Occur. High probability undesirable events Occur.
Zero	Low and high probability events do or do not occur as expected.
Negative	High probability desirable events do not occur. Low probability/undesirable events occur.

Source: Oliver, 1981:35

How customers perceive services and how they access whether they have experienced quality service is important to marketers. Also evident from the above discussion, is that expectations are not stable or uniform for all customers. A customer may be satisfied with a low level of service in one store and dissatisfied with high service levels in another store.

3.8 CONSUMER FORMATION OF PERCEPTIONS

Customers also base their evaluations of store services on their perceptions. While these perceptions are affected by the actual service provided, service, due to its intangibility, is often hard to evaluate precisely. Table 3.7 shows some cues customers use to evaluate services. Employees can play an important role in customer perceptions of service quality. Customer evaluations of service quality are often based on the manner in which store employees provide the service, not just the outcome.

TABLE 3.7 DETERMINANTS OF SERVICE QUALITY

Tangibles ➤ Appearance of the store ➤ Display of merchandise ➤ Appearance of salespeople	Courtesy ➤ Friendliness of staff ➤ Respect shown to customers ➤ Interest shown in customers
Understanding ➤ Providing individual attention ➤ Recognising regular customers	Access ➤ Short waiting times ➤ Convenient operating hours ➤ Convenient location ➤ Manager available to discuss problems
Security ➤ Feeling safe in parking lot ➤ Communication and transactions treated confidentially	Competence ➤ Knowledgeable and skilled staff ➤ Customers' questions answered
Credibility ➤ Honoring commitments ➤ Trustworthiness of salespeople ➤ Return policy	Responsiveness ➤ Returning a customer's call ➤ Giving prompt service
Information provided to customers ➤ Explanation of services and cost ➤ Notes sent to customers informing them of sales ➤ Assurance that a problem will be resolved	Reliability ➤ Accuracy in billing ➤ Performing service at designated time ➤ Accuracy in completing sales transaction

Source: Levy and Weitz, 1998:578.

For most customers their dealing with a retail firm is quite ordinary. Consumers visit a store, select an item, pay for it and leave. These uneventful experiences do not stimulate customers to evaluate the service they receive. The problem arises when an eventful experience occurs; they become motivated to evaluate the service quality of the particular retailer (Levy & Weitz, 1998:579).

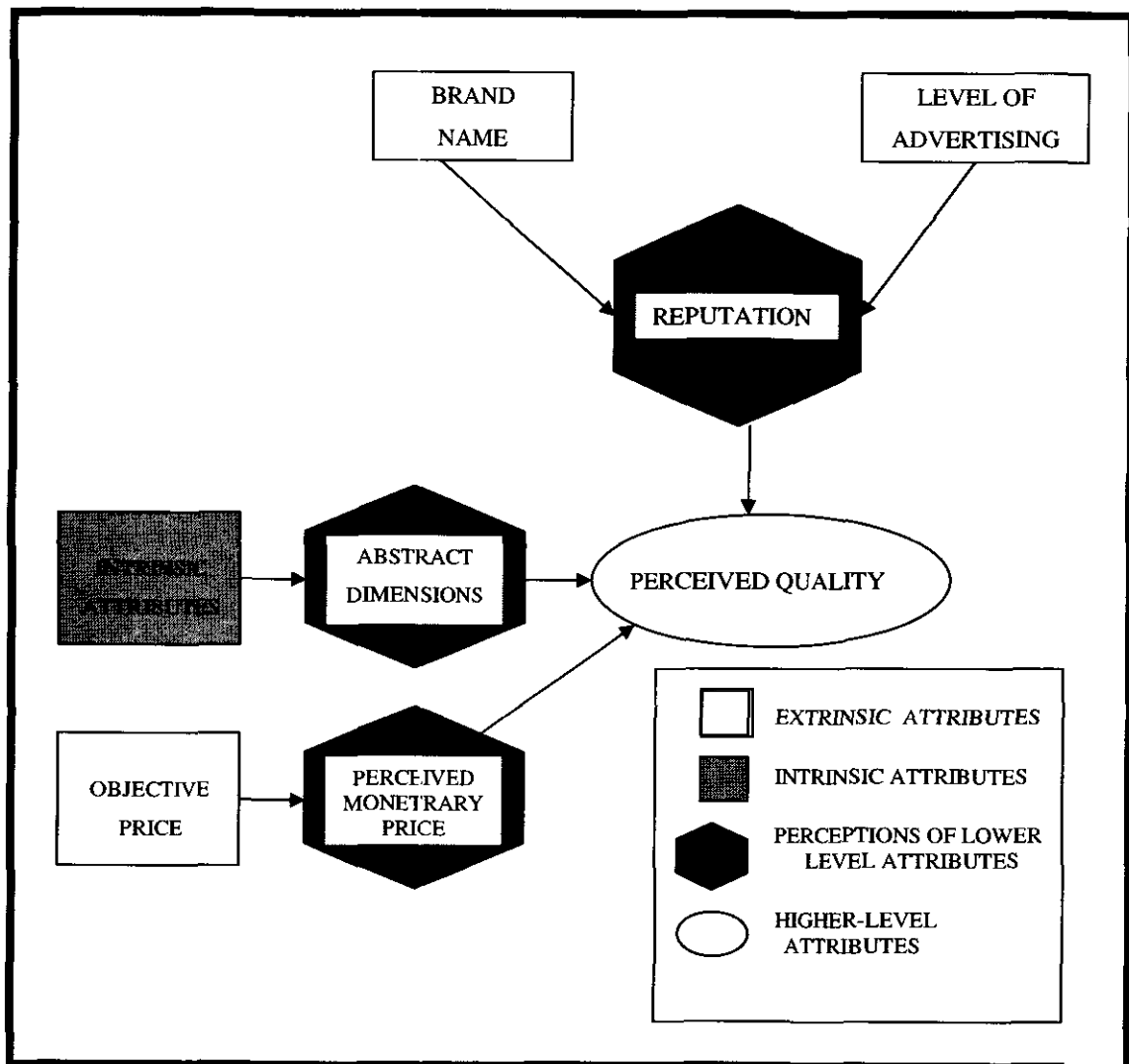
Boulding *et al.* (1993:10) posits that perceptions are not those of a specific service encounter, but instead the perceptions of service quality based on customers' cumulative experience with the retailers service delivery. Therefore, an understanding of the perceptual process is important to marketers as consumers' decisions to purchase a product will be influenced to a large extent by the way he perceives the product. Individuals differ in their propensity to perceive elements that make up a service offer. At any time our senses are overpowered with a variety of challenging stimuli. Consumers are able to focus attention on only a selected number of stimuli and only a few are clearly perceived (O' Neill *et al.* 1998:129). This process of discriminating between stimuli is known as "selectivity of perception". Within this process, there are three important characteristics in determining a consumers' propensity to generalise stimuli, each referred to as threshold levels: "absolute threshold", "differential threshold" which demands that an increase of stimuli must be significant before the customer will notice the difference (often referred to as Weber's Law) and "just noticeable difference" (j.n.d), which refers to the differential threshold that exists when comparing two stimuli (Sciffman & Kanuk, 1999: 122-123). For example, if Pick 'n Pay supermarkets reduced its own brand name washing power by twenty cents, would this be noticeable to the consumer, as apposed to a one rand reduction. This theory therefore supports the view that some consumers are much more sensitive to stimuli than others.

Zeithaml (1988:3) defines perceived quality as: "the consumer's judgement about the product's overall excellence or superiority". Perceived quality in these terms is thus what the consumer judges to be quality and it is also a subjective judgement and is:

- ❑ different from objective or actual quality,
- ❑ a higher level abstraction rather than a specific attribute of a product,
- ❑ a global assessment that in some cases resembles attitudes, and
- ❑ a judgement usually made within a consumer's evoked set.

The factors, which, influence perceptions of quality according to Zeithaml (1988:7) are depicted in figure 3.6.

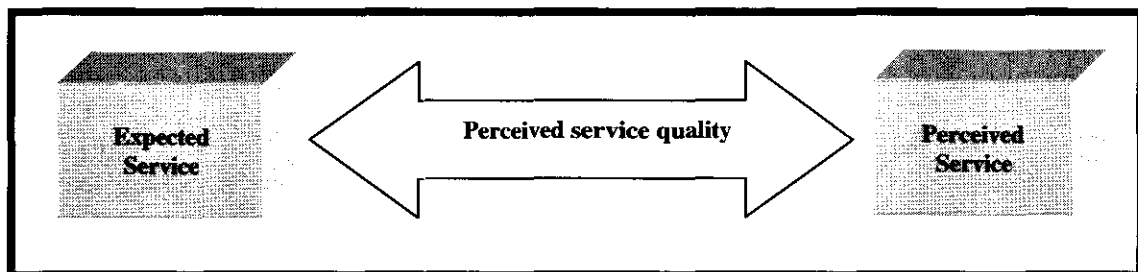
FIGURE 3.6 THE PERCEIVED QUALITY COMPONENT



Source: Zeithaml, 1988:7

The figure shows that consumers' perceptions of quality are influenced by extrinsic attributes (for example, brand name and level of advertising), intrinsic attributes and perceptions of lower-level attributes (for example, perceived monetary price and reputation). Gronroos (1984:38) views perceived quality of a given service as an outcome of an evaluation process where consumers compare their expectations with the service they perceive they have received. Figure 3.7 illustrates the perceived service quality compared with the expected service.

FIGURE 3.7 PERCEIVED SERVICE QUALITY



Source: Gronroos, 1984: 38.

Customer perceptions can also be influenced by the image of the organisation and serves as a filter that influences customer perceptions of the firm's operations. A very positive image can serve as a buffer against incidents of poor quality. In other words, if a customer has on overall a very positive image of a firm, one bad experience will not likely be fatal. By the same token, further bad experiences will erode the positive image, thus removing its protection.

Recurrent in the discussion of perceptions of service quality, is that perceptions revolve around the customer's cumulative experience of the service encounter, and that perceptions are based on what the customer judges to be service quality.

3.9 PROBLEMS AND STRATEGIES FOR IMPROVING SERVICE QUALITY

Because every service encounter is potentially critical to customer retention, many firms aim for “zero defects” or a hundred percent satisfaction (Zeithaml, 1996a:126). Berry *et al.* (1990:29) re-affirms that customers are the sole judge of service quality. Therefore, finding out what customers expect is only part of the challenge. The bigger challenge is to meet these expectations.

Peters (1999:10) maintains that if one can figure out what consumers like and deliver it in the same way every time, customers will come back to the store, tell others about it and the store becomes more successful. Babber (1992:39) argues that it is only through mutual synchronisation of perceptions that enables organisations to achieve high quality through improved service delivery as perceived by customers.

Various scholars and researchers have put forward strategies to improve service quality. Some of the common strategies implemented by successful companies to improve service quality are discussed below.

3.9.1 Define the service role

Brown *et al.* (1996:34) argue that in many instances, employees do not understand the role they are supposed to play or feel “squeezed” between customers and the firm’s management. Kotler (2000:440) maintains that companies can be distinguished between those offering a “merely good” service and those offering “breakthrough” services aimed at one hundred percent error-free services. Berry *et al.* (1990:30) maintains that many companies do not set proper service standards, and as a result cause role ambiguity in an organisation. Some of the problems outlined by these authors are the following:

- No service standards: this drains the credibility from management rhetoric about the importance of the service,

- ❑ Too many service standards: this reduces employees' awareness of the most urgent service priorities,
- ❑ General service standards: employees are offered little direction and this provides a limited basis for measuring their performance,
- ❑ Poorly communicated service standards: this makes standards a guessing game for employees, and
- ❑ Service standards are uncorrelated to the performance measurement: appraisal and reward systems render the standards "toothless" while conveying management's low priority for service.

Service standards and customer expectations must be stated in a way that is meaningful to employees. Defining the service role is an important step, but it will not get a company very far unless it has personnel with attitude, ability and flexibility to fulfil the role.

3.9.2 Compete for talent

From the customer's perspective, the people performing the service are the company. For a customer, for example, an incompetent cashier or a rude sales assistant in a supermarket is an incompetent supermarket. The question frequently asked is why do managers allow the wrong people to carry the company flag in front of customers? Most managers do not think like marketers when it comes to human resource issues. Managers view marketing as something one does to win over customers but not something one does to win over employees. Zeithaml and Bitner (1996a:126) maintains that recruitment and selection procedures that are used in organisations should have strong service-orientation criteria.

Managers frequently add to the problem by not fully utilising the capabilities of those they employ. Many managers too often use the thick policy and procedure manuals to control service delivery, and this stifles creativity, diminish the opportunity for employees to grow in their work and chase the most able employees out the door in search of more interesting work (Berry, 1990:31). In addition, it does little good to hire capable people, only to

frustrate them into leaving. Managers need to provide employees with a strong foundational culture in which to work, offer them strategic direction and give them the company-specific training and education they need to perform their roles, especially the front-line employees (Brown, *et al.*, 1996:25).

3.9.3 Emphasise service teams

Service work can frequently be frustrating and demoralising. Customers can be rude and insensitive. For example, in a supermarket, the sheer numbers of customers to be served can be psychologically and physically overwhelming.

One dynamic that is important in sustaining service-mindedness is the presence of service team-mates (Berry, 1990:32). An interactive community of co-workers who collaborate, overcome and achieve together is a powerful antidote to service burnout. Evidence suggests that customer service representatives are susceptible to high levels of burnout because they are caught in difficult positions when they perceive that customers' demands cannot be met (Cordes & Dougherty, 1993:644). Membership of a team can be inspirational, rejuvenating and motivational. In addition team membership promotes employee growth. To let down the boss is bad, but to let down the team is often worse. Team participation can unleash one of the most potent of motivators, the respect of peers. Service teamwork is important because employees in the team depend upon one another. The end service, the customer receives is most often the result of many behind the scenes, internal services (Berry, 1990:32).

Service team building cannot be left to chance. Some degree of structuring, assigning and facilitating is needed to overcome organisational inertia. Managers should try to strive to nurture teamwork within organisational units (intra-unit teams) and between organisational units (inter-unit teams). It must be emphasised that good service teamwork requires long-lasting

team membership, frequent team contact and communication, team leadership, direction and goals.

3.9.4 Insist on reliability

Unfulfilled service promise is the single most important way service companies fail their customers. When a firm is careless in performing the service, when it makes mistakes or when it does not do as promised, customers lose confidence in the firm's reliability.

Reliability is the cornerstone of excellent service. Managers should use every opportunity to build a "do it right first time" attitude. This means addressing the reliability issue in company communications, setting reliability standards, teaching the "why" and the "how" of reliability in training programmes, appointing reliability teams to study specific services and recommend ways to improve them (Berry, 1990:33). One of the opportunities for improving reliability involves analysing service for "fail points", i.e. service processes most prone to mishap. Retailers can identify "fail points" by monitoring service delivery through mystery shoppers and periodic surveys, by soliciting the input of employees actually performing the service and by studying and categorising customer service complaints (Zeithaml & Bitner., 1996a:127).

Outstanding service reliability is therefore the foundation on which to build a reputation for quality services.

3.9.5 Swift problem resolution

Studies of customer dissatisfaction show that customers are dissatisfied with their purchase about twenty-five percent of the time, but only five percent complain. The other ninety five percent either feel that complaining is not worth the effort, or that they do not know how or to whom to complain. Of the five percent who complain, only fifty percent report a satisfactory problem resolution (Kotler, 2000:441). Often, consumers do not like to complain as dissatisfaction is stressful and, for many people, going to

complain is even more stressful (Nyer, 2000:18). Hinton *et al.* (1994:78), outlines some of the key reasons why customers are reluctant to complain:

- ❑ It is not worth the hassle; many customers merely shrug off a bad service or poor quality. They seek an alternative place to conduct their business,
- ❑ Customers do not know where to complain or how to file a complaint; customers feel that you have to go through a bureaucratic maze on how to proceed with a complaint, and
- ❑ Customers fear retaliation or revenge; many consumers do not like confrontation as they feel that it is stressful.

According to Nel (2000:36) many customers do not complain, they merely switch brand or companies. According to Weymes (1998:175), it is claimed that for every hundred customers in retail, fifty-seven are lost in the first three years of setting up business. Some of the reasons are:

- ❑ Indifferent treatment to customers,
- ❑ Poor quality of service, and
- ❑ Grievances, not settled to customers' satisfaction.

Thus given the potential impact of service failures, effective recovery strategies are essential. When a customer encounters a problem at a store, the retailer's response becomes crucial. The store can make the situation better for the customer or, at least, improve it to some extent. One of the many problems facing retail stores is that they do not encourage customers to resolve their problems and often do not give employees the authority to solve most problems immediately. One of three scenarios arises when a customer experiences a service problem:

- ❑ The customer complains and is satisfied with the retailer's response,
- ❑ The customer complains and is not satisfied with the retailer's response, or
- ❑ The customer does not complain to the store and remains dissatisfied.

Of the three possibilities, the first one is only good an outcome. Retailers that do not respond effectively to customer complaints compound the problem. Many dissatisfied customers do not complain and often make unflattering comments about the retailer and will take their business elsewhere.

From a customer's point of view, the most effective recovery is attained when a front-line employee can take the initiative to solve a problem on the spot. Acknowledgement of the problem, an apology, an explanation, and a solution to the problem are often all the customer wants.

Managers therefore need to come to terms with the seriousness of the lost business and negative word of mouth that occurs when customers cannot resolve problems with the firm. Given the potential impact of service failures on re-purchase and negative word of mouth, effective recovery strategies are essential.

Zeithaml (1996a:126) is of the view that when service customers have been disappointed the first time, "doing it right the second time" is essential to maintain customer loyalty. This implies the need for service process and system analysis to find the root cause of the failure so that a re-design can ensure higher reliability. Zaire (2000:332) cites several problems retailers face in handling complaints:

- ❑ Firms suffer from a lack of a systematic approach to complaints handling,
- ❑ Management does not recognize the importance of customer complaints at a strategic level,
- ❑ Retail firms are ill equipped in terms of systems and processes for logging in complaints and processing them,
- ❑ They are not proficient with measurement and, in particular, in non-financial areas such as customer satisfaction and complaints,
- ❑ They have adverse cultures and too much of "blame and reprimand" practices, and

- They have not embraced the concept of service quality and its related concepts.

Studies conducted by Boshoff (1997:16) confirm that quick service recovery and a high level of compensation provided by a retail firm enhances customer satisfaction and consumers are willing to return to a firm for future service. Time delays in solving problems may, on the other hand increase felt anger and has a negative impact on service quality (Taylor, 1994:56).

However, being outstanding in service recovery is easier said than done. The following prescriptions, are offered by various scholars and researchers:

- Encourage customers to complain and make it easy for them to do so. Managers who want to improve problem resolution must try to overcome the common perception amongst consumers that stores do not really care about them when things do wrong (Berry, 1990:28). Remove barriers that make it difficult for customers to complain. Employees need to make it clear that they are happy that the problem has been brought to their attention.
- Make timely, personal communications with customers a key part of the strategy. Retailers frequently make two fatal mistakes in problem resolution. They take too long to respond to customers and they respond impersonally. Timely, personal communication with unhappy customers offers the firm the best chance to regain the confidence of the customer. By responding quickly, the store conveys a sense of urgency, and it creates an opportunity for dialogue with the customer-an opportunity to listen, ask questions, explain, apologise and possibly achieve closure. Customer satisfaction is affected by the time it takes to get an issue resolved. Therefore, retailers can minimise the time to resolve complaints by reducing the number of people the customer

must contact, providing clear instructions and speaking in the language of the customer (Levy & Weitz, 1998:595).

- Encourage employees to respond effectively to customer problems and give them the means to do so. Retailers must market the idea of problem-resolution to employees. Service employees need specific training about how to deal with angry customers and how to help customers solve service problems (Berry, 1990:31). Problem resolution requires that managers view services marketing as a way of cementing customer loyalty through service and trust, rather than only as a way to acquire new customers. Because customers demand that service recovery takes place on the spot and quickly, front-line employees need the skills, authority and incentives to engage in effective recovery (Zeithaml & Bitner, 1996a:194). Effective recovery skills include hearing the customer's problem, identifying solutions, improving and perhaps bending the rules from time to time.

3.9.6 Listen to customers by turning complaints into opportunities

Service problems also enable a retailer to show its commitment to providing high-quality customer services. By encouraging complaints and handling problems, a retailer has an opportunity to strengthen its relationship with its customers. Problem-resolution situations are more than just opportunities to fix flawed services and strengthen ties with customers. They are also valuable but frequently ignored or under-utilised sources of diagnostic information for improving customer services. By tracking service recovery efforts and solutions, managers can often learn about problems in the delivery system that need fixing. Thus by conducting a root-cause analysis, companies can identify the sources of problems and modify processes and sometimes eliminate the need for recovery.

Customers can become very emotional over the problems they have with a retailer. Often an emotional reaction can be reduced, simply by giving the

customer a chance to get their complaints off their chest. (Levy & Weitz, (1998:593) suggest the following points should be taken into account when handling complaints:

- ❑ Retailers should look at complaints as “situations” and not as something that cannot be resolved. This will help to keep the retailer focused on the solution,
- ❑ When customers complain, regardless of how they express themselves, their motivation is to have the complaint resolved. The anger should be seen as secondary. Acknowledge that the customer is sincere, even though the customer may have not spoken to you in a pleasant way,
- ❑ Do not try to argue with the customer and do not try to be a winner. Satisfactory solutions rarely arise when store employees have an antagonistic attitude or assume that the customer is trying to cheat the store,
- ❑ Expect customers to be annoyed, and show a caring attitude. Listen to the customer and without interruption as the customer narrates his or her experience. Interruptions can further irritate customers who may already be emotionally upset,
- ❑ Restore trust in the customer by aligning with the customer, so that the customer feels that service provider is on his side. Reassure the customer that you want to solve the problem. Customers want a sympathetic response to their complaints. Demonstrate your understanding of the issue by summarizing the points and make sure that the customer agrees with your understanding,
- ❑ Indicate ways in which you intend to resolve the problem,

- Thank the customer for the complaint as many register their complaint by taking it elsewhere. Employees should make it clear that they are happy that the problem has been brought to their attention, and
- Follow up with the customer and once the complaint has been resolved, the customer must be contacted again to check that he is satisfied before the matter is closed.

3.9.7 Empower employees

Well-managed service companies believe that employee relations will effect company relations (Kotler, 2000:443). Management should therefore empower and reward employees for good performances.

Many argue that by providing exceptional customer services, a business acquires an edge over its competitors. However many employers do not realize that in order to do this, they require an empowered work force (Tschohl, 1998:14). Empowerment, according to Terblanche (1998:385) is the authority to act and refers to the resources which employees have access to, and the decisions they are permitted to make.

Essentially, empowerment is about serving customers better through giving employees the power to act. In retail stores, frontline employees are most affected by the introduction of empowerment. They are closest to the customer and in the best position to determine what action is required.

The primary benefit of employee empowerment is to provide better and more responsive service to customers. Instead of delivering strict, "by the book" services, an empowered employee can act quickly and is able to deliver personal, customized service to each customer. Thinning the rulebook to the bare essentials and leading with core values such as excellence, mutual

respect and integrity, leads to a different kind of consistency: customers learn to count on the firm doing the right thing (Berry, 2001:76).

When a service failure occurs, an empowered employee can act swiftly to appease the customer. Employees who have control over ways in which they do their work are likely to be more polite, friendly and helpful, which results in an increase in service quality (Terblanche, 1998:386).

An empowered workforce, however, must be an educated and trained workforce (Tschohl, 1998:16). Firms must therefore invest funds in the training of their staff. Too often organizations spend all their money seeking new customers and they do not spend any time or money keeping them or making sure to deliver the product and services. According to the author, most businesses today operate under misconceptions that hinder employee empowerment.

- ❑ Businesses operate under a misconception that they should not trust the customer. Many executives think that the customer is out to take advantage of the store. As a result of this, they develop rules, policies and procedures to ensure that this does not happen,
- ❑ Businesses operate under a misconception that they cannot trust front-line staff. They think that if they are paying staff a minimum wage, they could possibly not trust that person to make a decision without the customer taking advantage of him,
- ❑ Businesses operate under a misconception that empowerment will diminish the role of the middle manager. Many middle-managers are obstacles to employee empowerment, fearing that it will lessen their control and eventually eliminate the need for their positions, and
- ❑ To make empowerment decisions means taking risks, but the greatest concern for many employees is that they will be reprimanded, or worse, dismissed for making bad business decisions. Employees

should be assured that decisions made at times may be poor decisions, in the process of working honestly to win customer satisfaction.

It is therefore imperative for executives to move away from these misconception if empowerment is to work, and for their businesses to prosper and succeed. An organization's mission should be to take care of the customer and in order to do so, employees, should be trained in customer services and be empowered to provide exceptional services.

3.9.8 Act like a small company

Even though a retailer may be large with multiple stores throughout the country, retailers need to act small for its customers, employees and the community it serves (Berry, 2001:76). Acting small for customers means purposely delivering personalised service. It means creative, flexible, spontaneous service, trusting, caring and respecting customers in an effort to build long-term relationships.

Acting small for employees mean creating a shared vision and collaborative spirit. This means that employees must make sure what is going on and that they are making a difference in the company. It also means trusting, caring, respecting and relationship-building just like with customers.

Acting small for the community means giving, not just taking, creating social profit and not just creating financial profit. It means being truly involved in the community, contributing time and leadership not just money. Finally, it means trusting, caring, respecting and building relationships just like with customers and employees. With inspired leadership, humane values, and conscious efforts, large companies can act small.

3.10 SYNOPSIS

Many macro-economic developments such as increased competition and changing consumer needs are led to quality becoming an issue of particular

concern to retailers. Quality has, however proved to be a difficult concept to define and describe (du Plessis *et al.*, 1995:302).

At its most basic, quality can be defined as “conforming to requirements” (O’Neill *et al.*, 1998:127). This implies that organisations must establish requirements and specifications and once established, the quality goals are to comply strictly with these specifications.

Whilst there may be a great deal of similarity between service quality and customer satisfaction, researchers and scholars make a distinction between these two concepts. Researchers (Parasuraman *et al.*, 1994a:112; Oliver, 1981:27) argue that satisfaction is “transaction specific” that leads to service quality, whilst others (Cronin *et al.*, 2000:202; Dabholkar *et al.*, 2000:55-68) are of the view that service quality leads to customer satisfaction. However, the exact nature of the difference between the two concepts is still inconclusive.

The concept of service quality is linked to the concept of perceptions and expectations. According to Vazques *et al.* (2001:01) if perception exceeds expectations, the service provided by retailers will be considered excellent, if perceptions only equal expectations, it will be regarded as good or adequate. If perceptions do not exceed expectations the services are classified as poor or deficient. Researchers and scholars have attempted to explain service quality using various theories and service quality dimensions. Various factors influence customer perceptions such as the service encounter, evidence of service, price and corporate image. Thus the perceptions of quality are influenced by both intrinsic and extrinsic attributes.

The link between quality and profitability has been more conclusive and demonstrated through various research findings, especially the Profit Impact on Marketing Studies (PIMS). The dual company-customer perspective, with service quality at its core, highlights the potential synergy between service quality and productivity.

Most experimental studies related to quality, which focused on price as a key quality signal, have reached differing conclusions. Price is but one of the several cues; brand name or packaging may be equally or more important. Further, evidence of generalised price-quality relationships is inconclusive. Zeithaml (1988:19) maintains that research on quality may benefit from a de-emphasis on price as the main intrinsic quality indicator.

Two streams of evidence emerge from examining the relationship between service quality and market share, *i.e.* positive and negative linkages. A balanced trade-off is often necessary in order to realise the benefits of quality and increased market share.

Customers have global expectations of their relationships with service providers and also expectations of individual service encounters. Customer expectations are influenced by a variety of factors, some controllable and others uncontrollable by service marketers. Consumer expectations are based on their knowledge and experiences with regard to the retailer. Such knowledge can be obtained by word of mouth, formal recommendations, price, promotional activities of the service retailer and the image of the store. Tangible cues during an encounter provide valuable insights in the formation of expectations.

Researchers and scholars have emphasised aspects that are key to improving service quality. Clear service role definition, employee skills and training, service teams, reliability, swift service recovery and employee empowerment are some of the imperatives in improving service quality. However, because of the variability of services, failures are inevitable for even the best of firms. Thus organisations need recovery systems that allow employees to turn failures around and leave the customer satisfied.

Chapter Four examines the service encounter between the customer and the service provider. The role and script theoretical perspectives and the various types of service encounters (both interpersonal and non-human) interactions are examined.

CHAPTER

4

THE SERVICE ENCOUNTER

4.1 INTRODUCTION

Encounters between customers and employees, commonly referred to as “moments of truth” or service encounters are a critical aspect of service quality (Wels-Lips, 1998:286). The term service encounter can be defined as a period of time during which a customer directly interacts with a service (Jun & Cai, 2001:276). The concept encompasses all aspects of the service firm with which the customer may interact, including its personnel, its physical facilities and other tangible elements during a given time period and it involves both interpersonal and non-personal human interaction with service providers (Bitner *et al.*, 1990:72). It is therefore not surprising that many managers and researchers have been interested in the dynamics of service encounters in trying to find out how consumers evaluate service experiences (Bettencourt, 1997:384; Martin & Adams, 1996:192; Ruyter, *et al.*, 1999:1134; Zeithaml & Bitner, 1996a:105). For contact personnel, engaging in good interaction with customers is a major concern. Since they spend a major part of their working lives with customers, it is difficult to isolate their personal feelings from the work experience and is often affected by bad encounters (Chandon *et al.*, 1997:65). This is true for services characterised by a high degree of person to person interaction and by the absence of an exchange of tangible goods.

All retailing entails a service component, *i.e.* the manner in which the exchange between the buyer and the retailer is executed. All service businesses (firms that sell intangibles) are engaged in retailing, the transfer of the service product to the service recipient. Because the service exchange often entails face to face interaction between service providers and the

The remote encounter is actually the easiest of all forms of encounters to control because it is based on some form of physical object, be it printed material or a computer terminal. These physical items can be made uniform; they can be tested, modified, and seen objectively.

Almost all firms rely on indirect personal encounters (*e.g.* phone encounters). Judging quality in a phone encounter is more complex than in remote encounters because of the potential variability of the interaction. The tone of voice, employee knowledge, efficiency in handling customer service issues become important for judging quality in such encounters. Apart from steps taken to ensure adequate mechanical operation. Special care must be taken to ensure a high level of consistency and quality in the verbal exchange.

In face to face encounters or direct personal encounters, determining and understanding service quality issues becomes more complex. Verbal and non-verbal behaviours are both important determinants of service quality. Tangible cues such as dress and other symbols of service, for example, equipment, informational brochures, and physical setting also play a part in establishing customer perceptions of service quality. In face to face encounters, the customer also plays a role in creating service quality through his own behaviour during the interaction. In this way the customer becomes a co-producer of service. In addition, service encounters are also embedded in role and script theories, which provide a strong theoretical base for the understanding of human interactions (Mohr & Bitner, 1991:611).

Beyond the three main encounter types, there are a host of other sensory input sources that can have a bearing on a customer's perception of a service. Stationery and signs are all visible clues to the customer. Logos, corporate identification, advertising are also other forms of evidence. The environment in which the service is rendered is another powerful form of evidence.

A service neither appears nor operates by magic. Consistently good encounter quality is a function of hard work. With rational, thorough

planning, service encounters can be everything management wishes them to be. When the service design is right and the customer inputs are actively monitored, positive encounters can become a natural result.

4.3 ROLE AND SCRIPT THEORETICAL PERSPECTIVES OF SERVICE ENCOUNTERS

The role theory perspective is important in marketing in terms of the understanding it can offer about the dynamic process of marketing exchange. The study of service encounters has drawn perspectives from the role theory. Researchers and managers of service businesses have compared service provision with drama, aiming to create a desirable impression before an audience (Hoffmann & Bateson, 2002:101). By implication, therefore, the service marketer must play many drama-related roles (including director, choreographer and writer) to make sure the performances of the “actors” are pleasing to the customers.

The physical setting of the service can be likened to the staging of a theatrical production to create a desired impression. Aspects of the setting that may influence the character of services are colours, sounds, smells, movement, freshness, use of space, the style and comfort of furnishing, and the design and cleanliness.

A role is defined as a set of behaviours that an individual who occupies a certain position in a group or social organisation is required or expected to exhibit. It also incorporates the tasks and activities, that people occupying positions in a group are expected to perform (Guiry, 1992:667). They are a combination of social cues that guide and direct behaviour in a given setting.

The origin of role theory is derived from the social penetration theory, social interaction approaches and the dyadic elements of social exchange theory (Broderick, 1998:349). Boshoff (1990:122) explains that sociologists have developed a number of useful concepts in order to understand human behaviour and interaction. One of these is a schema, an organised collection

of one's beliefs and feelings about something. Role schemata, for example, are an organised set of expectations about the manner in which people in certain roles may be expected to behave. One such role schema is role theory, one which studies factors which influence human behaviour in human interactions.

One of the assumptions made in the adoption of role theory for service encounters is that the success of the service will depend upon the mastery of such role behaviours (Broderick, 1998:350). Bitner *et al.* (1994:97) explains a role as the behaviour associated with a socially defined position, and role expectations are standards of role behaviour. Thus in many routine service encounters, especially for experienced employees and customers, the role is well defined and both the customer and the employees know what to expect from each other.

Role theory also sees the adoption of appropriate roles by each party as a continuous process (Bateson, 1988:75) leading towards role and activity as a catalyst for further interaction. An individual can thus play various roles in various situations. The combination of roles an individual can play is known as a role-set or as an individual positional set (Broderick, 1998: 391). In a service firm, the service provider will, for instance, play a different role when interacting with management than that he would play when dealing with customers. Therefore, the success of any service performance depends in part on how well the role-set or players, both service employees and customers act out their roles. By implication, therefore, service employees need to perform their roles according to the expectations of customers. If they do not, the customer may be frustrated and disappointed.

In addition the script is an important factor that impacts on the effectiveness of role performances. A script is a coherent sequence of events expected of individuals and consists of a set of ordered actions, actors and objects that through repeated involvement define what the customer expects. Related to the idea of scripts and roles is the concept of mutual understanding between customers and employees. Mutual understanding results when service

customers and employees are on the “same level” and can accurately sense what the role of the other person is. If this is not the case, it may lead to role discrepancy.

Often role discrepancy may occur in service encounters where a customer, who has a clear role expectation of the service provider, becomes dissatisfied with the fulfilment of the role expectation, which may lead to inter-role conflict. For example, a customer is kept waiting for a long time for service from the retail assistant and aggressively demands service. Role discrepancy may also occur when there are interdependent roles in the provision of services. Thus each party may have conflicting views of what is appropriate within roles, thus causing **intra-role conflict**.

Conflicts between clients, or **inter-client conflicts**, arise because many service delivery systems have a number of clients who influence one another's experiences (Hoffman & Bateson, 2002:253). Sometimes inter-client conflict occurs for boundary spanners when there are incompatible expectations and requirements from two or more customers. Boundary spanners are employees, the link between the organisation and the environment in which it operates. They are the employees of an organisation who are in direct contact with the customers. Boundary spanning roles occur most often when the service provider is serving customers in turn (for example, a bank teller) or is serving many customers simultaneously (for example, lecturers). In the case of serving customers in turn, the provider may satisfy one customer by spending additional time, customizing the service, and being very flexible in meeting the customer's needs. Meanwhile, waiting customers are becoming dissatisfied because their needs are not being met in a timely way. In the case of serving many customers at the same time, it is often difficult to serve the full range of needs of a group of heterogeneous customers at the same time. Trying to satisfy all of the needs at one time may therefore result in role conflict.

In addition, Boshoff (1990:124) argues that role consensus or role congruence does not often occur, because various roles associated with any

particular status are frequently not successfully integrated due to conflicting demands. This situation gives rise to a role conflict and role ambiguity.

Role conflict occurs when a role player is exposed to conflicting sets of legitimised role expectations. In other words, a person experiences role conflict when incompatible demands and expectations are placed on him by a role set member. In a business environment, such members can be both management and customers (Dubinsky & Mattson, 1979:72).

With respect to service organisations in particular, the literature suggests (Chung & Schneider, 2002:72) that boundary-spanning employees serve two main functions. Firstly, boundary-spanning employees work together with customers in the creation of services, placing customers in a co-producer role. Secondly, customers rely at least partially on the behaviour of boundary-spanning employees in forming their global evaluations of service quality of a retailer, because, to most customers, the employees they encounter are the firm. Given the important boundary roles that frontline employees play as service providers, information gatherers and as external representatives of the organisation, how these employees are managed clearly has consequences for the success of the service firm (Boshoff & Allen, 2000:66).

In some situations, boundary spanners feel conflicts between what they are requested to do and their own personalities, orientations or values (Zeithaml & Bitner, 1996a:308). Bateson (2002:331) maintains that personal role conflict may occur for contact personnel, when they are required to play an artificial role in the service encounter (*i.e.* trained to suppress personal feelings in the role, to smile and be helpful, or to act as if they know about a product when they really do not). However, in contrast to the above, many service organisations are moving towards an empowerment approach to service delivery, in which employees are “free of rule books” and encouraged to do what is necessary to satisfy customers (Baron & Harris, 1996:77).

The nature of boundary-spanning roles is likely to create incompatible job demands or expectations. The inability to satisfy incompatible demands can

generate role conflict. The role conflict of boundary-spanning employees is much greater than employees in other jobs because they are literally spanning two environments. They not only serve external constituents but they also have internal constituents to serve. Such a situation may create role conflict because of conflicting role expectations.

Although frontline employees recognise the value of personalisation in creating rapport and expressing care for customers, they may experience a sense of conflict between the need to express care and the need to be efficient in their jobs (Bettencourt & Gwinner, 1996:08). Since contact employees operate on the boundary of the firm, they are often caught in the uncomfortable position of having to respond simultaneously to the conflicting demands of both management and customers. The front-line employees are often referred to as boundary spanners because they operate at the organisation's boundary. As indicated in Figure 4.1 boundary spanners provide a link between the external customer and environment and the internal operations of the organisation. They serve a critical function in understanding, filtering, and interpreting information and resources to and from the organisation and its external constituencies (Zeithaml & Bitner, 1996a:307). This type of situation makes contact employees very prone to high levels of role conflict and emotional burnout (Singh *et al.*, 1994: 558).

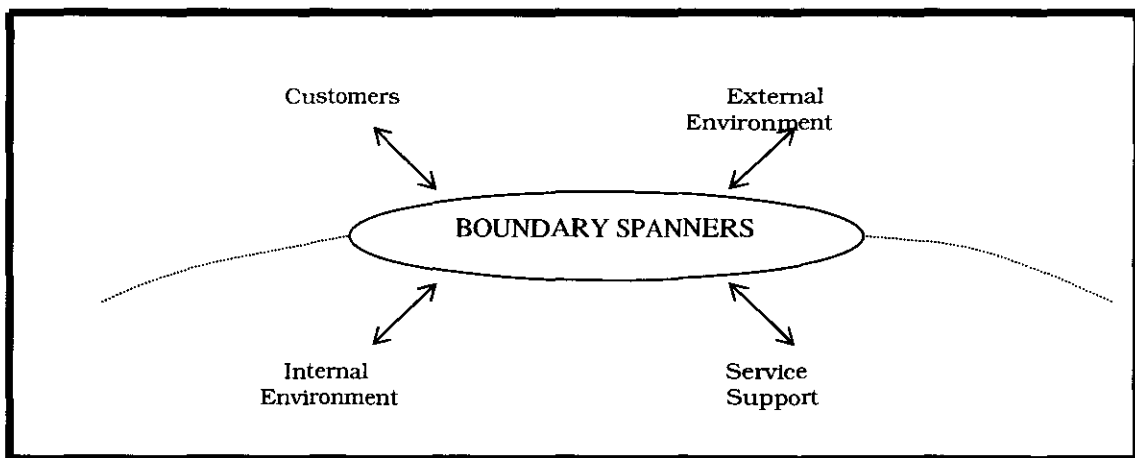
A more salient type of conflict for most front-line service employees is the conflict between their two bosses, the organisation and the individual customer. Service employees are typically rewarded for following certain standard rules and procedures. Ideally these rules are customer based. For example, when a customer makes excessive demands, the employee has to choose whether to follow the rules or satisfy the demands.

With regard to personalisation, role conflict stems mainly from employees' desires to meet at the same time two apparently conflicting goals: timely problem resolution desired by management (and perhaps other waiting customers) and personal desire for conversation by some customers, (Bettencourt & Gwinner, 1996:08). Given the intricate nature of the personal

interaction of employees in service encounters, the authors offer the following suggestions in this regard:

- ❑ Segment customers: being one of the oldest marketing tools, scant attention has been given to the possibility of employees segmenting customers on the front-line and then responding to their unique needs and expectations. In addition, information technology is increasingly being applied to tailor the more technical (outcome) aspects of service delivery for individual customers,

FIGURE 4.1 ROLE OF BOUNDARY SPANNERS



Source: Zeithaml and Bitner, 1996a:307

- ❑ Human resource management: customisation on the front-line places a heavy burden on the contact employees. Service firms that encourage adaptive behaviour from front-line service providers require considerable human resources investment in areas of training and recognition. Training and recognition are essential for enhancing employee proficiency at service delivery customisation. Employees should be trained to recognise important cues from customers and allow them to classify customers with varying needs and desires. Employees should be recognised and rewarded for the proper identification and utilization of customer cues, and

- ❑ Operations: firms encouraging customisation on front-line staff should design the service system to allow for flexibility and create an environment for customisation.

Chung and Schneider (2002:78) identify two simple steps that can be used to intervene in role-situations, namely, to identify the behaviour employees believe customers want them to perform and secondly, management should try to set up ways to reward employees for engaging in those behaviours.

Through research data collected from telephone service employees in an insurance company, these scholars found support for the following view with reference to the effects of role conflict:

- ❑ Role conflict emerges when there is a discrepancy between what employees think customers expect of them and what they report management rewards them for doing.
- ❑ Role conflict, in turn, is related to factors such as employees' job satisfaction, likelihood of leaving jobs and absenteeism, and
- ❑ Role conflict mediates the relationship between the so-called service-orientation discrepancy, i.e. when rewards and customer expectations are not consistent with employees' attitudes and behaviours.

For service firms to operate successfully, both customers and contact personnel must conform to a script or role and each must play his part in the service delivery. Management can reduce conflict between the employee and the assigned role by being sensitive and by seeking input from employees about the issue (Hoffman and Bateson, 2002:255). To improve the quality of service, a change in operating procedure may be needed. However, it is important to ensure that service providers are well trained in the new script. Poor communication on the other hand, does not only harm its overall effectiveness, but also can lead to **role ambiguity**. For example, in

a business environment, role ambiguity may occur, when a salesperson is uncertain of how to behave or react in a job situation. This uncertainty may be due to inadequate knowledge or information on how to perform the job. Table 4.1 outlines the features of a theoretical role perspective.

TABLE 4.1 FEATURES OF A THEORETICAL ROLE PERSPECTIVE

	BREAKDOWN OF KEY ELEMENTS	SERVICE APPLICATIONS
Role-set	Internal role-set established through working relationships and understanding of role commitment by service providers	Service provision teams, customer management teams, relationship management, direct client interfaces.
Role-script	Role behaviours expected, enacted or developed within client-service interface.	Client interactions where one to one interfaces occur continuously. Also where client frequently meets a range of service personnel individually.
Role-congruence	Occurs when a clear understanding of role expectations exists and is fulfilled. Mutuality in service encounter is achieved.	Where role expectations of the service provider needs consistently to meet.
Role-performance	Evaluation and experience of current role by provider. Evaluation by customer.	Service providers happy with the way they can meet customers' requirements. Service provider gradually adopts a new role identity. Customers' initial role expectations met and ongoing cumulative good.
Role-expansion	Role change experienced through increased responsibilities-expansion of tasks within service encounter and overall service provision.	Service providers experience increases in tasks/autonomy. Service teams engage in greater range of role interactions with clients.

TABLE 4.1 FEATURES OF A THEORETICAL ROLE PERSPECTIVE (continued...)

	BREAKDOWN OF KEY ELEMENTS	SERVICE APPLICATIONS
Role discrepancy	Gaps, underfulfilment between the actual versus planned aspects.	Gaps where roles do not meet client expectations. Lack of preparation of service provider's uncertainty and role underfulfilment in service encounters. Difficulties with role performance.
Role conflict	Interactive conflict internally or within service encounters	Areas of interactive conflict occur in all services. Poor co-ordination leads to blurring of roles and poor consistency in service process, service delivery across the organisation.

Source: Broderick, 1998:355-356

Role theory has been agued as a potentially useful framework in analysing people-based services. Drawing as it does on a behavioural and dramaturgical perspective and on social encounters, it enables one to understand social interactive elements involved in the marketing exchange. Through skilful role management at a customer interface level, management can use it productively to contribute positively in people-based services.

4.4 EMPLOYEE'S ROLE IN THE SERVICE ENCOUNTER

Service quality represents a customer's assessment of the overall level of service provided by a firm. This assessment is often based upon perceptions formulated during the service encounter (Johnston, 1995:53).

Employees' attitudes have sometimes been argued to effect service quality (Hartline & Ferrell, 1996:55). More specifically, it stands to reason that a

customer will, in part, evaluate service quality on the basis of what an employee does (i.e. his or her behaviour) rather than what an employee thinks or feels (i.e. his or her attitudes). For example, employees' service behaviours are influenced by employees' job satisfaction (Bettencourt & Brown, 1997:39-61) and moods at work (Kelly & Hoffmann, 1997:407). Gremler *et al.* (1995:29) argues that if employee encounters in an organisation are unsatisfactory, the customer may end up being dissatisfied. These behaviours on the part of the service employees can be thought of as service quality implementation (SQI) behaviours, as they represent the behaviours associated with the implementation of an organisation's service quality policy.

Since service encounters involve interactions between customers and employees (Chandon *et al.*, 1997:65-86; Winsted, 2000:399), employees have an important role to play in influencing customers' perception of service quality (Johnston, 1995:53-71., Lytle *et al.*, 1998:455-489).

Service quality in the past has been conceptualised and operationalised in terms of what consumers value in the encounter (Winsted, 2000:403). For instance, consumers have been shown to evaluate service quality on dimensions such as concern and civility (Winsted, 2000:399-417), listening and understanding demonstrated by employees (Chandon *et al.*, 1997:65-86) and employee attentiveness and perceptions (de Ruyter & Wetzels, 2000:276-284). As a result, if one looks at the dimensions, an overlap exists between the concept of service quality and employee SQI behaviours.

Contact personnel, according to Baron and Harris (1996:76) play a boundary-spanning role in a service encounter. This is brought about by the fact that contact personnel are often as close psychologically and physically to customers when compared with other employees in a firm. Sales people, for example, are encouraged to take the role of relationship managers in their one to one exchange with customers in order to have a greater impact on customers' perceptions of the quality of the service provider. Often contact personnel are given "scripts" or programmed lists of suitable behaviours to follow during the customer interaction in order to improve

service quality. Research undertaken by these authors on personal interaction between customers and employees in service encounters found that more than fifty percent of the respondents enquired about directions and product information, which reiterates the interaction of consumers and store personnel.

Through focus group interviews, Guiry (1992:670-672) identified the following negative roles that employees may play that can affect the service encounter with consumers:

- ❑ The employee role of indifference. This relates to service employees who are disinterested in giving service. Instead of facilitating the service delivery process, indifferent employees complicate the situation. The employee is insensitive to the needs of the customer and conducts his business in a very impersonal manner, disregarding the human element of the service encounter.
- ❑ Employee's role of dominance. Such a situation occurs when an over zealous employee gives too much service, to the point of creating a dissatisfying service experience. Such inappropriate behaviours may not be apparent to the employee. Dominance of such nature may in turn be the result of pressure from management to increase sales, especially in a commission-based sales job.

Parasuraman *et al.* (1988:23) define three interpersonal service quality dimensions as follows:

- ❑ Responsiveness, the willingness to help customers and provide prompt service.
- ❑ Assurance, knowledge and courtesy of employees and their ability to inspire trust and confidence, and
- ❑ Empathy, caring, individualised attention employees provide to customers.

Taken together, the authors suggest that service providers should be active participants in the consumer service experience. However, consumers' expectations about the amount and type of interaction they will have with employees may differ, depending on how they want to act in the service. Some service settings require that employees stay in close contact with consumers throughout the delivery process. At other times consumers may only need to know that an employee is available when needed.

The role of the employee in service encounters thus parallels the growing emphasis on the human factor in services marketing. In addition, the roles performed by employees need to match the expectations of consumers. If the roles do not match the expectations of the consumer, then the outcome is likely to prove unsatisfactory.

4.5 THE ROLE OF THE CUSTOMER IN SERVICE ENCOUNTERS

Services are actions or performances typically produced and consumed simultaneously. In many situations, employees and customers interact to produce the service outcome. The level of participation varies across services. Bitner *et al.* (1997:194) distinguish between low, medium and high levels of services. Table 4.2 reflects customer participation in services experiences. Customers have substantial influence in the extent to which they achieve desirable results from the interaction with service organisations (Lengnick-Hall *et al.*, 2000:359).

In some cases all that is required is the customer's physical presence (low level of participation). In such instances the employees of the firm perform all the services. In other cases, customer inputs are required to aid the service organisation in creating the service (moderate level of participation). Inputs can include information, effort or physical possessions. For example, to open an account customers need to furnish information, fill in application forms and produce documents, like personal identity and pay slips. In some instances, customers can actually be involved in the co-creation of the service (high level of participation). For such services, the customer has to

fulfil a production role, and if he does not, it may affect the nature of the service outcome. All forms of education, training and health maintenance fit this profile.

Thus within these five levels of participation, customers can play a variety of role namely:

- the customer as productive resource,
- the customer as a contributor to quality, satisfaction and value,
- the customer as competitor to the service organisation,
- the customer as promoter of the service organisations,
- the customer as a consultant to the firm,
- the role of dependence,
- the role of autonomy, and
- the role of mutuality and cooperation.

**TABLE 4.2 LEVELS OF CUSTOMER PARTICIPATION ACROSS
DIFFERENT SERVICES**

<i>Low: Consumer presence required during service delivery</i>	<i>Moderate: Consumer inputs required for service creation</i>	<i>High: Consumers co-create the service product</i>
Products are standardized.	Consumer inputs customize a standard service.	Active consumer participation guides the customized service.
Service is provided regardless of any individual purchase.	Provision of service requires consumer purchase.	Service cannot be created apart from the customer's purchase and active participation.
Payment may be the only required consumer input.	Consumer inputs (information, materials) are necessary for an adequate outcome, but the service firm provides the service.	Consumer inputs are mandatory and co-create the outcome.
<i>Examples:</i>	<i>Examples:</i>	<i>Examples:</i>
Airline travel	Haircut	Marriage counselling
Concert	Tax preparation	Personal training
Motel	Annual physical exam	Dissertation advising
Fast-food restaurant	Full service restaurant	Weight-reduction program

Source: Bitner et al. 1997:194 (adapted)

The major roles played, by customers in service delivery are discussed below.

4.5.1 Customers as productive resources

Service customers have been referred to as partial employees or co-producers of services of an organisation (Bitner *et al.*, 1997:197) who contribute to an organisation's productive capacity. Co-production means engaging customers as active participants in the organisation's work which offers the opportunity for the customer to shape the service encounter. Lengnick-Hall *et al.* (2000:362) outline three key factors for effective co-production:

- perceived clarity of tasks,
- ability of technical competence, and
- motivation.

The first factor, task clarity, means that customers need to know exactly what must be done. The rationale is that if customers know what to do and how they are expected to perform, they are more likely to do what is needed.

The second requirement for effective co-production is the customer's ability to perform the needed task. Effective co-production requires customers who are capable of making useful contributions to the organisation's activities.

The third requirement for effective co-production must be the consumer's willingness to make a direct contribution to various organisational activities.

Customers can contribute inputs, much like employees, which impacts on the productivity of the firm. For example, a patient can contribute information in the diagnoses of an illness. The quality of information that the patient provides can affect the quality of the outcome.

Researchers (Hoffman & Bateson, 2002:137., Zeithaml & Bitner, 1996a:370) are of the view that services can be delivered efficiently if customers are treated as partial employees, since their contribution can add value to the service delivery. For example, in a supermarket a customer who learns to slice his own bread produces the services for himself. The logic in this case

is that an organisation's productivity can be increased by reducing the reliance on store employees. Automated checkout counters and self-scanners are examples of some of the innovations evolving the grocery industry in the United States. With this approach, customers can scan their own groceries using a hand held scanner and then take the bill to the cashiers' station to pay. This increases organisational productivity by using the customer as a resource.

Thus, when customers are treated as partial employees and provided with direction, ability and motivation to contribute to the production process, they feel free more fully to participate in producing quality outcomes (Lengnick-Hall, 1996:798).

4.5.2 Customers as contributors to quality, satisfaction and value

Another role that customers play in service delivery is that of a contributor to their own satisfaction and the quality of service they receive. Customers may care little if they have increased the productivity of the organisation through their participation, but they are likely to care a great deal about whether their needs are fulfilled. For example, in weight loss and personal fitness, customers' participation is very important. In such instances, the role of the customer forms an integral part of the service and unless the customer performs his role effectively, the desired outcome is not possible. Some customers enjoy participating in the delivery of services and they find the art of participating attractive and convenient (Dabholkar *et al.*, 1996:30). Because service customers must participate in the service delivery, they often blame themselves (at least partially) when things go wrong (Zeithaml & Bitner, 1996a:371). If customers believe they are partially (or totally) to blame for the service failure, they may be less dissatisfied with the service provider.

4.5.3 Customers as competitors

Another role played by customers is that of a competitor. If self-service

customers can be viewed as resources of the firm, or as partial employees, they could in some cases partially perform the service or perform the entire services for themselves. The customer thus, in a sense, becomes a competitor for firms that supply the service. For example, a car owner does his own maintenance is in direct competition with a service provider, in this instance a vehicle repair and maintenance garage.

4.5.4 Customers as promoters of the firm

Bettencourt (1997:385) maintains that customers can also play a role as promoters of a firm by showing allegiance to and promoting the organisation through favourable word of mouth recommendations. This in turn contributes to the development of a positive image of the firm and high service quality expectations.

4.5.5 Customers as consultants to a firm

A vital role customers can play is by offering guidance to the firm. Customers have vast experience with services and they are an inexpensive source of counsel. For example, complaints and suggestions that they offer may lead to remedying current service problems or expanding new services.

Guiry (1992:668) has also identified other roles that consumers' play in service encounters, namely, the role of dependence, the role of autonomy and the role of mutuality and co-operation.

4.5.6 Role of dependence

Some consumers depend on receiving services. The dependent consumer feels vulnerable and uncomfortable in the service setting and needs the service employee to provide guidance and assistance during the consumption of the service. The dependent consumer particularly values the three dimensions of service quality-responsiveness, assurance and empathy-that are strongly linked with the employee's role in the service delivery

process. The employee is expected not only to help the consumer by providing knowledge about the service, but also should be reassuring and empathetic to make the consumer more comfortable and at ease in the setting.

4.5.7 The role of autonomy

In contrast to the dependent consumer stands the autonomous consumer. In a clothing store, the author found that consumers often desired to be on their own while shopping. In a supermarket, for example, self-service is an essential and desired part of a consumer's consumption experience. The autonomous consumer seeks independence, to be free to make decisions and choices of his own. An autonomous consumer expects employees to be responsive to his desire for independence by giving the consumer space to shop, although employees should stay on the periphery and be ready to serve if needed. The autonomous consumer may need employees to perform procedural tasks such as ringing up a sale.

4.5.8 The role of mutuality and cooperation

Mutuality represents the consumer's role in the service encounter, while co-operation describes the service employee's role. Consumers and employees must understand their roles and work together in giving and receiving services.

It is evident that the service encounter is a dynamic process, and for a consumer it is more than a static exchange of money for a service. Interpersonal roles are at play, which can influence the quality of services received. The compatibility between consumers and service employees' interactive modes is a strong precursor to judge quality.

Evident from the discussion above is that customers can play a variety of roles and in doing so become co-producers of services.

4.6 CUSTOMER TO CUSTOMER ROLES IN SERVICE ENCOUNTERS

Much of the research on service quality encounters concentrated on understanding the roles within the dyad of provider-customer interaction (Parker and Ward, 2000:342). Trends such as increased automation and reduced staff levels encourage a high degree of customer participation. For example, in a supermarket environment, being a self-service store, if there are no service providers around to ask, then the customer to customer interaction becomes imperative in order to ensure the continuation of the service delivery process.

McGrath and Otnes (1995:262) identified consumers in a retail setting participating in one of the following roles: help seeker, proactive helper and the reactive helper. From their studies, the help seeker emerged as the most prevalent and most proactive consumer type. This role involves customers actively seeking information from others by questioning shoppers whom they visually assess might possess information or advice about products. The importance of this role has also been highlighted in an exploratory study of customer information gathering activity in a home improvement setting (Harris *et al.*, 1999: 21-37). The study drew attention to the number of oral requests for product information made to complete strangers by customers. Parker and Ward (2000:342) also examined the roles played by customers in customer to customer interaction. They have also found that the customer to customer interaction is a frequent and important part of the shopping experience for many people.

In contrast to the help-seekers, proactive helpers felt most comfortable giving advice to others, appearing to have an "innate need to be helpful in the marketplace and freely offering unsolicited advice". (McGrath *et al.*, 1995:264). The third role identified by these researchers was that of the reactive helper. These helpers often emerged as a result of a direct approach by help-seekers. They are generally asked for help or information because something about their manner and/or appearance conveys to the helpseeker the impression that he or she would be a good source of information.

Whilst research in this sphere of service encounters is scarce, there is evidence to support the claim that customer to customer interaction in a retail environment does occur. However, whether it impacts on service quality evaluation remains unexplored.

4.7 THE ROLE OF NON-VERBAL COMMUNICATION IN SERVICE ENCOUNTERS

Non-verbal communication (NVC) takes place everytime one person interacts with another, which may be intentional or unintentional and is part of a rapid stream of communication that passes between two interacting individuals.

Service employees' non-verbal behaviour remains virtually unexplored despite its importance with respect to the outcome of service encounters (Sundaram & Webster, 2000:379). This scarcity of research attention is probably due to researchers' earlier focus on macro issues such as antecedents of service quality, Bolton & Drew, 1991:375-384), the relationship between service quality and business profitability (Rust *et al.*, 1995:58-70) and service recovery efforts (Webster & Sundaram, 1998:153-159). NVC encompasses a number of aspects of body language including facial expression, eye-contact, posture, gesture and interpersonal distance (Gabbott & Hogg, 2000:385). To these other factors associated with speech are delivery, loudness and intonation added.

In simple terms, NVC is in effect a series of cues encoded by the sender, either consciously or unconsciously and subsequently decoded by the receiver. Although interpersonal interaction is completely lacking in some service encounters, for example, banking via ATM machines, the majority of service delivery situations involves considerable contact between the service provider and the customer (Sundaram & Webster, 2000:379). For example, a substantial amount of interaction takes place between employees and customers for travel, dining, hospital services and to a certain extent in supermarkets. From a managerial perspective, it is important to understand not only how service employees' non-verbal behaviour the degree of

friendliness, credibility, trustworthiness and competence, relates to customers perception of service quality, but also how customers' evaluate their interaction with service employees to determine the extent to which service employees are friendly, credible, trustworthy and competent. Therefore an understanding of the impact of non-verbal communication on customers' evaluations will enable service managers to train employees to use non-verbal cues more effectively so that customers' perceptions will be affected positively. Past experience in sociology and communication indicates that individuals learn from early childhood how to use non-verbal behaviour signals as a communication vehicle (Palmer & Summons, 1995:128). These researchers are of the view that the manner in which individuals learns to communicate non-verbally is similar to how they learn a vocal language. Thus once having learned to communicate non-verbally, individuals consciously and unconsciously integrate non-verbal cues into conversations, using them to convey specific social meaning such as intimacy and involvement.

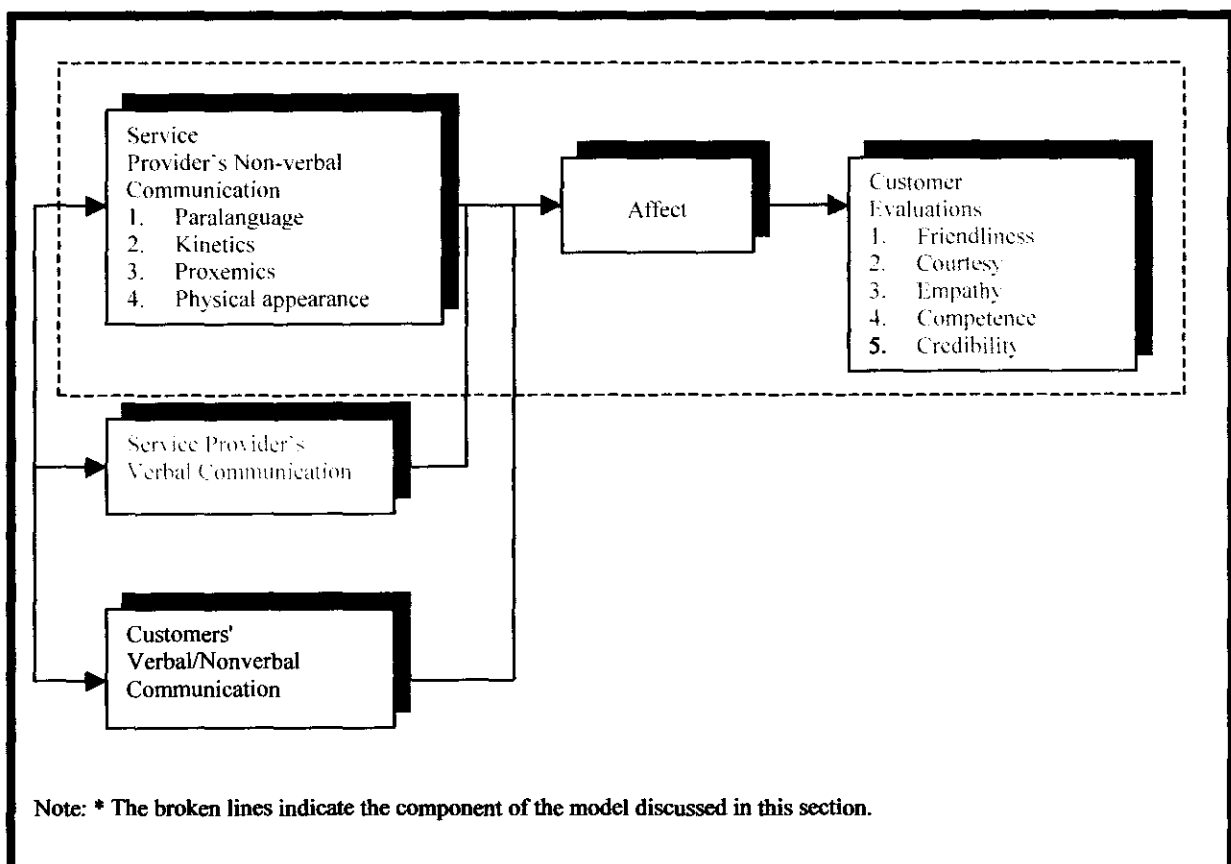
Sundaram and Webster (2000:153-159) presented a model that highlights the role of non-verbal communications in service interaction. The model is depicted in Figure 4.2. The focus of their discussion was placed on the relationship amongst service providers' non-verbal cues (kinesics, paralanguage, proxemics and physical appearance). The model suggests that both verbal and non-verbal elements of communication between the service provider and the customers influence customers' affect (subject feelings) which in turn influence their evaluation of the service encounter. Affect is included as an intermediate step between non-verbal cues and service evaluations because customers' affective reaction to the provider is an outcome of the cognitive process in which they identify, associate and evaluate verbal and non-verbal cues disseminated by service providers. One of the most important determinants of NVC communication is **gender**. Men and women encode and interpret communication cues differently. Men speaking with men will use different NVC from men speaking with women. Women generally smile more (and frown less) and approach closer than men and make more eye contact when listening (Gabbott & Hogg, 2000:386).

These differences are important to service providers, especially when considering the establishment of empathy and control.

These authors also maintain that **cultural norms** and learned behaviours play a vital role in NVC and people can read more accurately the non-verbal behaviour of others who are culturally, linguistically and racially similar. It is therefore important for managers to recognise that such differences exist and can potentially change the perception of the encounter.

Personality characteristics also have an important impact on interpersonal behaviour. All social behaviour is governed by rules and as individuals we learn and adapt these rules throughout the course of our lives according to experience. Linked to this are the personal traits that influence the way individuals interact with the situation (Schiffman & Kanuk, 2000:427).

FIGURE 4.2 THE ROLE OF NON-VERBAL COMMUNICATION IN SERVICE INTERACTIONS



Source: Sundaram and Webster, 2000: 380

This concept has two dimensions, communication competence and communication apprehension (Boorom *et al.*, 1998: 16-30). Communication competence refers to the ability to follow and make sense of conversations and the degree of the interaction. Communication apprehensiveness, on the other hand, relates to the individual's fear or anxiety associated with either real or anticipated communication with another person. This therefore implies that certain people will be less able to receive both verbal and non-verbal information, to interpret what they observe to formulate their own messages effectively.

The following is a discussion of how the four types of non-verbal cues are likely to influence customers' perceptions of service providers.

4.7.1 Kinetics

Kinetics, also known as body movement, serves as an important vehicle for non-verbal communication. Body orientation, eye contact, nodding, hand shaking and smiling are all powerful non-verbal signs in interpersonal interactions. Thus, according to Sundaram and Webster (2000:381), cues of casual smiling, light laughter, forward body lean, open body posture and frequent eye contact are perceived as conveying intimacy and non-dominance characteristics commonly associated with friendliness and courtesy. On the other hand, kinesics such as a serious facial expression either staring or avoiding eye contact, backward lean of body and closed body posture are perceived as conveying dominance, unfriendliness and emotional distance.

Kinetic cues such as eye contact, nodding and handshaking can be employed at various stages of service delivery in order to create satisfying relationships. For example, service providers should make a point of initiating a service encounter with a smile. In the same vein, service providers should also conclude the encounter with a pleasant, friendly smile.

4.7.2 Paralanguage

The drive theory of social facilitation, which links non-verbal cues, helps us to understand the importance of paralanguage (voice pitch, vocal loudness, pitch variation, pauses and fluency). The drive theory of social facilitation suggests that individuals with higher levels of confidence tend to experience increased drive or arousal and will consequently speak faster and louder than their less confident counterparts. Kimble and Seidel's (1991:99-105) test of the theory revealed that subjects who responded to a louder voice were perceived as being more confident than those who spoke with less volume.

In service situations where it is appropriate for service providers to be particularly warm, kind and friendly, service providers need to use paralinguistic cues associated with a conventional style (with lower pitch, slower rate and a moderate volume). Such cues are likely to help employees to portray an image that they are people-oriented rather than task-oriented.

On the other hand, in service situations where consumers are likely to expect the provider to be more business-or task-oriented (for example, in the financial and legal field) service providers should place more emphasis on using a public speaking style (with a higher pitch, faster and high volume). For example, an attorney who wants to present a competent, yet friendly image may use a dynamic style to portray competence and dynamism.

4.7.3 Proxemics

Proxemics refers to the distance and the relative postures of the interactants. An element of proxemics that is highly relevant in service interactions is touch. Studies in the role of touch in interpersonal communications reveal that touch enhances one's interpersonal involvement, posture, affect, social attachment, intimacy and overall liking (Price *et al.*, 1995:83-97). Touch is perceived as a sign of closeness, warmth, affection and empathy. Therefore,

touch can be employed by service providers as an effective communication tool to display friendliness and empathy.

4.7.4 Physical appearance

Physical appearance is another non-verbal element that is an important determinant of perception in interpersonal interactions. Several service organisations have policies regarding the physical appearance of their employees.

Employing appropriate dress codes can enhance the physical appearance of a service provider. The use of dress codes not only provides an identity with the organisation, but also enhances the appearance of the employees. The type of attire considered appropriate will vary by the service industry and gender of the service employee. For example, men working in professional services, such as financial and legal services, can wear a suit and tie to project poise, competence and credibility. Female employees in professional services setting can wear navy blue, black and grey suits to project competence and credibility.

Gabbott and Hogg (2000:387) have also found that attractiveness of the salesperson has an impact on communication. Attractiveness in this context goes beyond the physical appearance of the individual and incorporates similarity, familiarity and liking.

Sundaram and Webster (2000:386-388) offer the following guidelines for management in respect of non-verbal aspects of service employee-customer interactions:

- ❑ ensure that service employees understand that non-verbal aspects of communication are also as important as their verbal communication in shaping customer evaluations,
- ❑ educate service employees to attend to their non-verbal cues in their interaction with customers,

- ❑ modify service employees' non-verbal behaviour through continuous feedback and periodic reminders to produce favourable non-verbal cues,
- ❑ educate service employees about the linkage between their vocal characteristics and customers' perceptions. Employees can be trained to change their speech characteristics so that they will speak with a more pleasant voice quality that displays warmth and trust,
- ❑ examine the manner in which service employees dress and determine if changes need to be made. Attempt to match employees' dress with customers' expectations,
- ❑ conduct periodic surveys to assess customers' perception of service employees' non-verbal behaviour. These surveys can complement the firm's global evaluation of customer satisfaction and service quality,
- ❑ in addition to surveys, mystery shoppers can be used to assess employees non-verbal behaviours, and
- ❑ encourage employees to adopt the recommended changes in non-verbal behaviours by providing positive reinforcement for adoption. Sometimes it is difficult to have control over one's non-verbal behaviour as it may be partially determined by stresses such as emotions, though triggered by customers' behaviour during the service encounter. Therefore, managers should realise that training service employees to control their non-verbal communication is not an easy task. However, educating service employees on the significance of non-verbal communication is better than totally ignoring this essential element of interpersonal communication.

Researchers Gabbott and Hoggs (2000:390), using an experimental design, also found evidence that non-verbal communication in a service encounter dramatically impacts on a customer's evaluation of the service event.

Control over one's non-verbal behaviour may be difficult at times because it is partially determined by emotions and thoughts triggered by consumers behaviour. Thus training employees to control their non-verbal behaviour is no easy task. However, educating service employees on the significance of

non-verbal behaviour is better than totally ignoring this essential element of interpersonal communication.

4.8 THE IMPACT OF ATMOSPHERICS ON SERVICE ENCOUNTERS

The physical facility or the environment where a service is performed, delivered, and consumed is referred to as servicescapes in service settings and atmospherics in retailing. Atmospherics is the built environment, *i.e.* the manmade, physical surroundings as opposed to the natural and social environment. Bitner (1993:57) maintains that the effects of atmospherics of physical design and décor elements on consumers has been recognised by managers as they try continuously to plan, build, change and control an organisation's physical surroundings. Due to the intangibility of services, service quality is difficult for consumers objectively to evaluate. As a result, consumers often rely on the tangible evidence that surrounds the services to help them form their evaluations (Hoffman & Bateson, 2002:221). Much of the studies on atmospherics are built around environmental psychology.

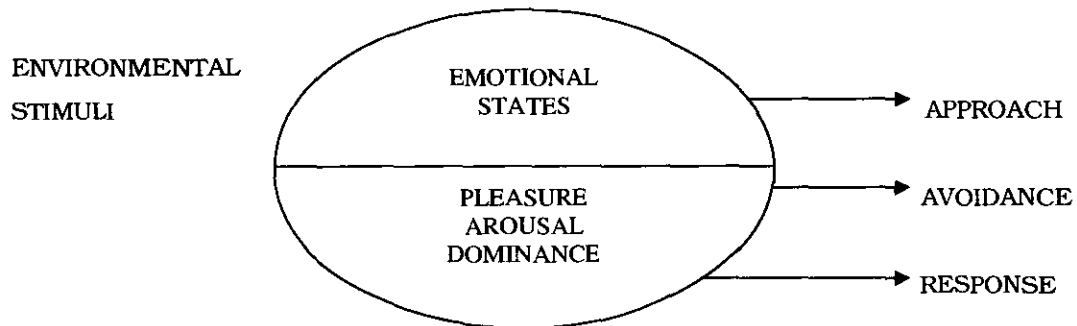
4.8.1 A framework for the understanding of atmospherics

Environmental psychology is a field that concentrates on the interaction of the physical environment and human behaviour. The theory underlining this field postulates a stimulus organism response (SOR) process (Richardson *et al.*, 1996:20). In other words, the environment within which a decision is made serves as a stimulus to the decision maker. Figure 4.3 depicts the model of environmental influence that impacts on atmospherics.

In a retail context, the store environment is the stimulus (S), which combines a variety of atmospheric elements (O), which in turn causes some response (R) to the environment (Spangerberg *et al.*, 1996:67).

Figure 4.3, reflecting the Merabain-Russel model of environmental influence, is shown on the next page.

FIGURE 4.3 THE MERABAIN-RUSSEL MODEL OF ENVIRONMENTAL INFLUENCE



Source: Richardson *et al.* 1996:24

The responses of employees and customers to a set of stimuli are influenced by three basic emotional states: pleasure/displeasure, arousal/non-arousal, and dominance/submissiveness (Hoffman & Bateson, 2002:229). The pleasure/displeasure emotional state reflects the degree to which consumers and employees feel satisfied with the service experience. The arousal/non-arousal state reflects the degree to which consumers and employees feel excited and stimulated. The third emotional state, dominance/submissiveness reflects feeling of control and the ability to act freely within the service environment. Ideally service firms should use physical evidence to build environments that appeal to pleasure and arousal states and avoid creating atmospheres that create submissiveness.

The environment could therefore be positively loaded (for example, novel and surprising) or negatively loaded (for example, uninspiring, usual or dull). Such environments, therefore have the potential to create arousal (both positive or negative) on the part of the consumer. This model thus aids in assessing consumers' perceptions of a store. In a retailing context, an example of a positively loaded store would be one that is modern looking, well-lit, intelligently laid out and visually appealing. A negatively loaded store might be poorly maintained, haphazardly laid out, consists of narrow and poorly lit aisles and may have old fixtures and fittings. Therefore, if stores are negatively loaded, the consumer may have less favourable thoughts about the stores products and quality perceptions (Richardson *et al.*,

1996:20). This model therefore provided an attractive framework in which to undertake research on store image, aesthetics and atmospherics and its impact on consumers perceptions of retail stores and quality.

4.8.2 Behaviours in retail atmospherics

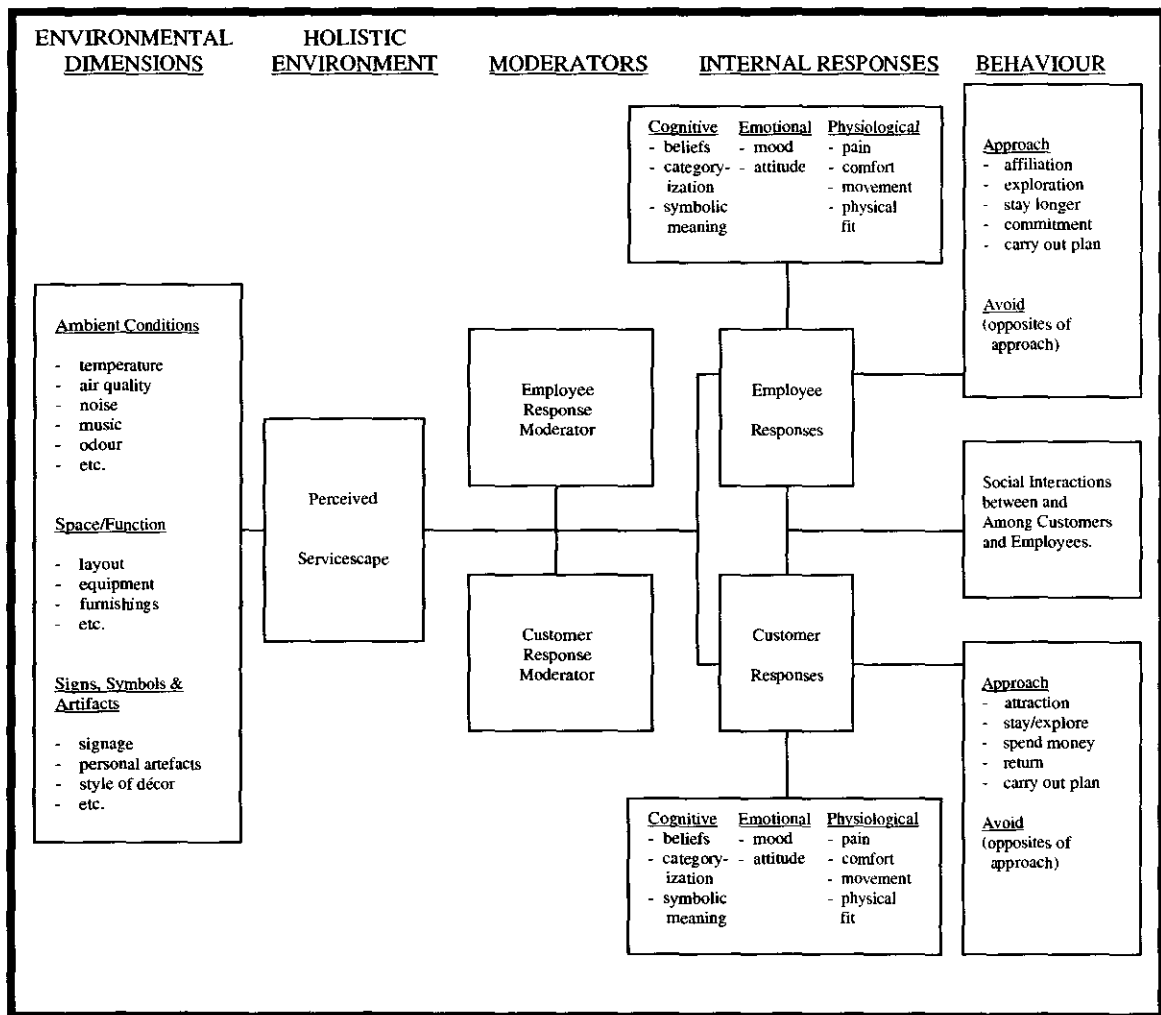
According to Zeithaml and Bitner (1996a:527), environmental psychologists suggest that individuals react to places with two general, and opposite forms of behaviour: through **approach and avoidance factors**. Approach behaviours are all positive behaviours that may be directed at a particular place, such as the desire to stay, explore and affiliate. Avoidance behaviour, on the other hand reflects the opposite, a desire not to stay, explore or affiliate. In a study of consumers in retail environments, researchers (Donovan & Rossiter, 1992:34-57) found that approach behaviours (including shopping enjoyment, returning to the store, attraction and friendliness towards others, spending money, time spent browsing and exploring the store) were influenced by perceptions of the environment. Figure 4.4 depicts a comprehensive stimulus-organism-response model that recognises the complex dimensions of the environment. Each individual comes to a particular store with the goals or purpose, which may be aided or hindered by the store setting. In addition, the ability of employees to do their jobs effectively is also influenced by atmospherics.

4.8.3 Internal responses to atmospherics

Zeithaml & Bitner (1996a:530) maintains that both employees and customers respond to their physical surroundings cognitively, emotionally and physiologically. Cognitive responses are the thought processes of individuals, which include beliefs, categorization, and symbolic meaning. In the formation of beliefs, the firm's environment acts as a form of non-verbal communication and influences a consumer's belief about the ability of the service provider to perform the service (Hoffman & Bateson, 2002:233). For example, particular environmental cues such as the type of office furniture, décor and apparel worn by a lawyer may influence a potential client's belief about whether the lawyer is trustworthy or not. Categorization is the second

type of cognitive response. Perceptions of the atmospherics may help consumers to distinguish a firm by visualising how it is categorised. Consumers therefore develop a mental picture of different store types. Individuals also infer symbolic meaning from the firm's use of physical evidence.

FIGURE 4.4 A FRAMEWORK FOR UNDERSTANDING ENVIRONMENT-USER RELATIONSHIPS IN SERVICE ORGANISATIONS



Source: Zeithaml & Bitner, 1996a:528

In addition, perceived atmospherics can directly elicit emotional responses, which in turn can influence behaviours. For example, colours, décor, music and other elements of atmosphere can have an effect on the moods of people. Research has shown that warm colours (red and yellow) in a retail store

environment gain customers attention (Levy & Weitz, 1998: 564) and cool colours (for example, blue and green) create a peaceful, calm and pleasant atmosphere. Sweeney and Wyber (2002:51-69) undertook research to examine the effects of music on emotional states. Their findings reveal that music has a major effect on consumers' evaluation of pleasure, arousal, service quality and merchandise. Using a laddering methodology, Thompson and Chen (1998:161-173) found that enjoyment, happiness, quality of life were linked to store image, which were in turn linked to price, quality and defection in retail stores. However, in some instances, music may not be considered as a sign pertinent to overall service quality. Studies conducted by Tansik and Routhieaux (1999:68), examining the impact of music on customers in a hospital's waiting rooms revealed that whilst music decreased stress and increased relaxation, it showed a poor correlation regarding overall service quality. Research undertaken by Herrington and Capella (1994:57) provides evidence to suggest that background music can be used to offset detrimental mood states and influence shopper mood states at the point of purchase.

The perceived atmospherics may also affect people in purely physiological ways. For example, noise that is too loud may cause physical discomfort, a glare of light may decrease the ability to see and cause physical pain. For example, in a restaurant setting, instead of being arousing, the environment may be brightly lit and may cause eye discomfort. In contrast a dimly lit restaurant may cause eyestrain as customers struggle to read the menu. All these responses determine whether a customer may approach and explore the firm's offering or avoid and leave the premises to reduce the amount of physical discomfort.

4.8.4 Internal response moderators

These refer to factors that may cause one individual to respond to the atmospherics differently from another individual. Personality differences as well as temporary conditions such as moods can cause variations in how people respond to services (Wener, 1988:102). As mentioned earlier, the internal response moderators of atmospherics pertains to the three basic

emotional states of the SOR model: pleasant/unpleasant, arousal/non-arousal and, dominance/submissiveness. These three response moderators mediate the reaction between the perceived atmospherics and customers' and employees' responses to the service environment (Hoffman & Bateson, 2002:233). For example, if a customer desires to remain in a state of non-arousal and spend a nice, quiet evening with someone special, that customer will avoid, bright, loud and crowded service establishments and may be attracted to an environment which is more peaceful and conducive to conducting a conversation.

Studies conducted by Donovan *et al.* (1994:291) in discount departmental stores indicate that pleasure induced by store environments appears to be a strong cause of consumers spending extra time in a store and spending more money than intended. In addition, arousal induced by positive store environments would intensify pleasure and decrease pleasure in unpleasant store environments. Further, to support the impact of atmospherics on consumer behaviour, Foxall (1997:519) found in his studies that pleasure, arousal and dominance, affects a consumer's approach behaviour in a variety of consumption settings. Avoidance was explained by the lack of pleasantness in a consumer setting.

Studies conducted by Spies *et al.* (1996:1-17) in furniture stores which measured customers' moods at the beginning, in the middle and at the end of their shopping found that customers' moods improved in the pleasant environment and deteriorated in the less pleasant environment and that customer satisfaction was greater in the store with a pleasant atmosphere. Further it was found that customers in the pleasant store environment spontaneously spent more money on articles they liked.

The important aspect to remember is that not every person will respond in the same way to the environment. Individual moods and purpose may influence responses.

4.8.5 Environmental aspects of atmospherics

Environmental aspects of physical surroundings include physical factors that can be controlled by the firm to enhance (or constrain) employee and customer actions. These physical factors include lighting, colour, wall décor, furnishing and store layout. Zeithaml & Bitner (1996a:535) groups these aspects into three composite dimensions: ambience conditions, spatial layout and functionality, and signs, symbols and artefacts. These dimensions are based on a pure service setting.

A retail store on the other hand can be complex, with a combination of a number of environmental stimuli. Table 4.3 provides a listing of the most common retail atmospheric elements, devised by Turley & Milliman (2000:193). These atmospheric variables can be conceptualised as stimuli leading to some cognitive affect within an individual, which, in turn can lead to behavioural responses. These stimuli have been placed into five basic categories as shown in Figure 4.6.

For the purpose of this study, the classification system in figure 4.6 is used in the discussion of the environmental aspects of atmospherics, since it applies to retail stores (i.e. stores that sell combination of goods and services). In addition, the discussion that follows is viewed against some research findings, on research undertaken on the various atmospheric variables, explained in Table 4.4.

□ External variables

The external variables include the storefront, entrance, display windows, building architecture, the surrounding area and parking. Research pertaining to these aspects of the stores' atmosphere has been limited (Turley & Milliman, 2000:195). However, research findings confirm that external variables have an influence on the behaviour of consumers.

□ General interior variables

This category includes such variables as flooring, carpeting, scents and

sounds, temperature, cleanliness, wall texture and colour usage. In contrast to external variables, where research is limited, numerous studies were undertaken that dealt with interior variables, and on customers' perceptions of these variables. In the main, these studies found that the general perception of the interior of a store influenced behaviours of consumers. Music is one of the most commonly studied general interior cues. Various studies have also been undertaken on odour or aroma. Together, these studies also suggest that odour can influence sales, processing time and time spent in a store. Like colour and lighting, music can either add or distract a customer from a retailer's total atmospheric package. As most buying decisions are based on emotions, of all human senses, smell has the greatest impact on emotions (McCarthy, 1992:85-87). This is of particular relevance in the food section of a supermarket. In addition scent may also place customers in a better mood or make them linger longer in a store (Levy & Weitz, 1998:566).

Colour also appeared to influence purchases and the ability to attract a customer towards a retail display. The impact of lighting, was also examined by researchers and found that factors such as lighting can influence both store image and the examination of merchandise. However, research evidence suggests that lighting does not influence sales (Areni & Kim, 1994:336-340).

□ Layout and design

Included in this category are variables such as fixtures, allocation of floor space, product grouping and traffic flow. In examining the effects of layout and design, Smith and Burns (1996:7-14) studied the optimal use of a power aisle in a warehouse grocery store. A power aisle is used to display large quantities of a small number of products to create the impression that the products are offered at extremely low prices. These researchers found that a configuration of smaller number of products in large quantities, convey low prices than did having a great variety of products in low quantities. In a self-

service environment, for example, a supermarket, these aspects are important as customers perform the services mostly on their own.

Research undertaken by Baldwin (1999:54-59) examining in-store factors that impact on customer patronage found that the number of check-outs and frequency of refurbishment (of decoration and fittings) were considered important factors of attraction to retail stores. However design factors do not seem to play a major role in influencing either merchandise or service quality (Baker *et al.*, 1994:334).

□ Point of purchase and decoration

This category includes product display, point of purchase displays, posters, cards and wall decoration. A number of these studies dealt with the effects of shelf space (i.e. the amount of space allocated to a product, the effects of shelf location or the effectiveness of the product display). Review of research results on the effects of shelf space and location on sales were mixed.

A small positive relationship between shelf space and sales were noted in some cases. Studies that examined the effects of product displays have generally found that a prominent display can influence sales.

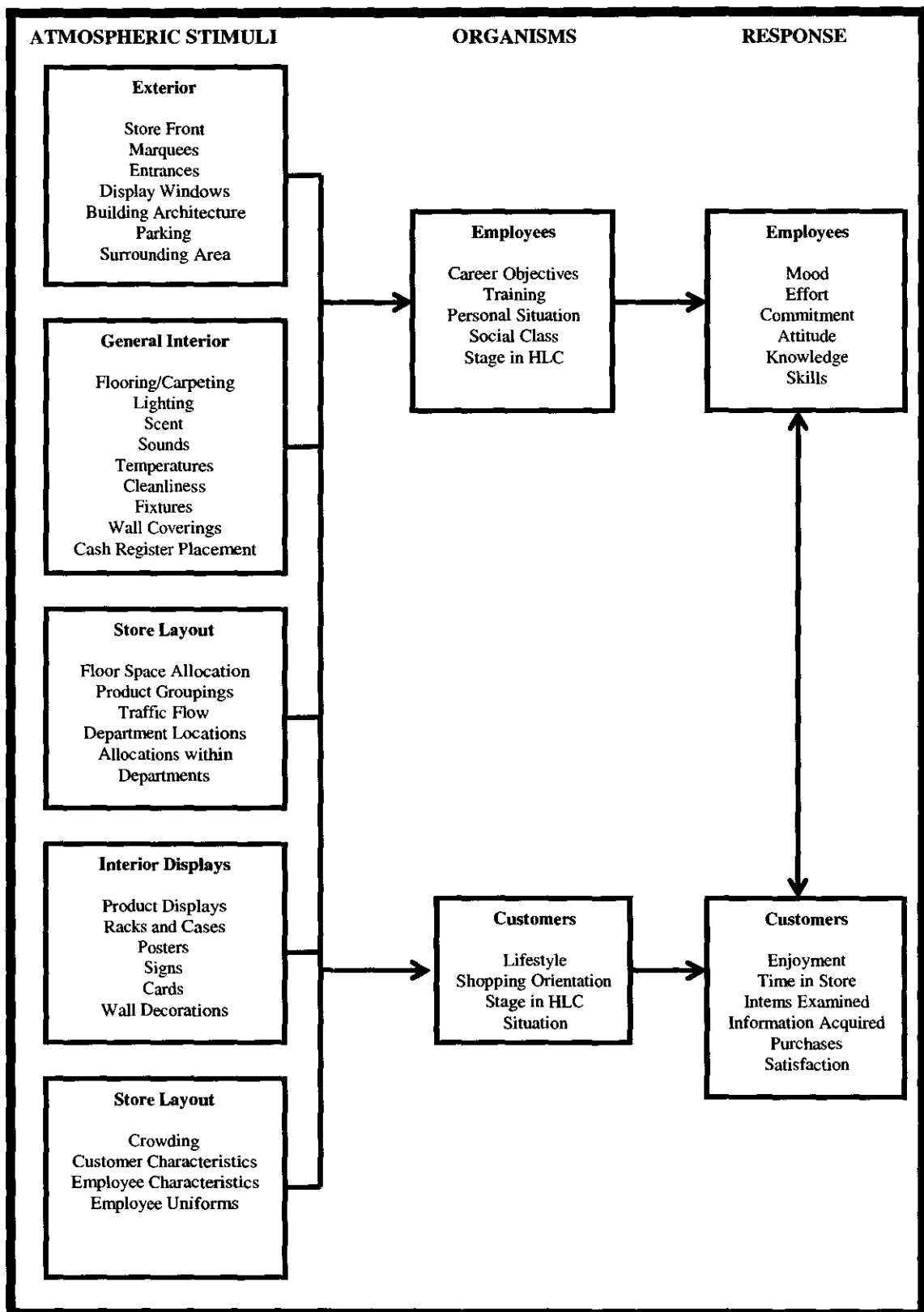
Research on effects of in-store signs tends to indicate that signs can have an effect on consumers. This is partially true when signs are combined with sale price information or a special display. Many items in the physical environment serve as signals that communicate about the environment to its users. Signs displayed on the exterior and interior of a store are examples of vehicles of communication. Signs, symbols and artefacts are important in forming first impressions of customers and for communicating new service concepts (Zeithaml & Bitner, 1996a:536). Therefore, when customers are unfamiliar with a particular retailer, they would look for environmental cues to help them categorise the place and begin to form their quality perceptions. In a study of dentists' offices, it was found that customers (patients) use the environment, in particular, its style of decoration and the level of quality as a cue to competence (Ward & Eaton, 1994:333-334).

TABLE 4.3 ATMOSPHERIC VARIABLES

VARIABLES EXTERNAL	
☐ exterior signs	☐ lawns and gardens
☐ entrances	☐ address and location
☐ exterior display windows	☐ architectural style
☐ height of buildings	☐ surrounding area
☐ colour of buildings	☐ congestion and traffic
☐ surrounding stores	☐ exterior walls
GENERAL INTERIOR	
☐ flooring and carpeting	☐ width of aisles
☐ colour schemes	☐ wall composition
☐ lighting	☐ paint and wall paper
☐ music	☐ ceiling composition
☐ P.A. usage	☐ merchandise
☐ scents	☐ temperature
☐ tobacco smoke	☐ cleanliness
LAYOUT AND DESIGN	
☐ space design	☐ waiting rooms
☐ placement of merchandise	☐ department locations
☐ grouping of merchandise	☐ traffic flow
☐ work station placement	☐ waiting queues
☐ placement of equipment	☐ racks and cases
☐ placement of cash registers	☐ furniture
☐ waiting areas	☐ dead areas
POINT OF PURCHASE	
☐ point-of-purchase displays	☐ artwork
☐ signs and cards	☐ product displays
☐ wall decorations	☐ usage instructions
☐ degrees and certificates	☐ price displays
☐ pictures	☐ teletext
HUMAN VARIABLES	
☐ employee characteristics	☐ employee uniforms
☐ crowding	☐ customer characteristics
☐ privacy	

Source: Turley and Milliman, 2000:193

FIGURE 4.5 THE INFLUENCE OF RETAIL ATMOSPHERICS



Source: Turley and Milliman, 2000:196

TABLE 4.4 SUMMARY OF KEY ATMOSPHERIC STUDIES

CITATION	SAMPLE	DESIGN	INDEPEN- DENT VARIABLES	DEPENDENT VARIABLES	PURPOSE/ FINDINGS
Cox (1964)	Super- market shoppers	Latin square	Shelf space, Product categories	Sales	Explained the relationship between shelf space and for products. Found that shelf space influences sales of staple items but not impulse goods.
Kotzan & Evanson (1969)	Actual shoppers	Latin square	Shelf facing, Product type	Sales	Identified the optimal number of shelf facings for four drugstore products. Found significant relationship between the number of shelf facings and sales.
Cox (1970)	Actual shoppers	Randomised block design	Shelf space, Brand level	Sales	Found a significant relationship between shelf space and impulse goods. Increased shelf space for impulse goods was not effective. Adding additional shelf rows in high volume stores is more effective than changing shelf level.
Curhan (1974)	Actual shoppers	Fractional factorial design	Display space, price advertising & display location	Sales	Tested the effects of the independent variables on four product categories. Display space was the only significant variable for all four products.
Woodside & Waddle (1975)	Actual shoppers	Latin square design	Sign price	Units sold	Consumers responded to a point of sale advertisement by purchasing more units than during a price reduction.
McKinnon Kelly & Robison (1981)	Actual shoppers	Randomised block design	Product type, Price level, Sign type.	Sales	Significant interaction between price and sign type. At a regular price, a benefit sign works best. When on sale, either a price-only sign or benefit sign are both effective.
Donovan & Rossiter (1982)	30 graduate business students	Descriptive	Pleasure, Arousal, Dominance, Information rate	Approach/ avoidance behaviour intentions	Found that in pleasant environments, enjoyment, shopping time, and spending increases as arousal increases.

TABLE 4.4 SUMMARY OF KEY ATMOSPHERIC VARIABLE (Continued...)

Bellizzi, Crowley & Hasty (1983)	125 students	Laboratory experiment	Colours	Approach behaviour, physical attraction, environment and merchandise perceptions	Colours do not influence approach behaviours but associated with attraction. Effect of colour on perceptions of the environment and merchandise was mixed.
Bateson & Hui (1987)	30 MBA students	Descriptive	Dominance, Arousal, Pleasure, Personal control, Crowding	Approach and avoidance behaviours	Crowding is perceived as an unpleasant experience in shopping. Dominance is positively related with pleasure and personal control and is negatively correlated with crowding.
Akhter, Andrews & Durvasula (1994)	209 students 160 students	Factorial design	Store favourability, Product type	Brand beliefs, brand attitude, brand evaluation, purchase intention	Report results of two related experiments. Brand-related judgements are more positive when evaluated in a favourable store compared with an unfavourable. This relationship held across all three products (beer, watches and TV), except for purchase intentions of beer, which were not influenced by store favourability.
Baker, Grewal & Parasuraman (1994)	297 undergraduate students	2 x 2 x 2 factorial design	Ambient factors, Design factors, Social factors	Merchandise quality, service quality, store image	Ambient and social influences have greater influence than design factors on service and merchandise quality and on store image.
Donovan, Rossiter, Marcolyn & Nesdale	18-35 years old (females: 80)	Field study	Pleasure, Arousal	Unplanned, planned purchases	Pleasure is significantly associated with extra time and unplanned spending in pleasant atmospheres but not when in unpleasant atmospheres.
Gulas & Schewe (1994)	76 super-market shoppers	Filed study	Music style	Time spent shopping, store attributes, emotions, items purchased, amount spent	Baby boomers reacted stronger by purchasing more in classic rock conditions than older consumers did to big band music. However, 66% of the sample could not recall the

					type played when they shopped.
Dube, Chebat & Morin (1995)	270 undergraduate students	Laboratory experiment	Pleasure, arousal	Desire to affiliate	Found main effect and interactive effects of music-induced pleasure and arousal on consumer's desire to affiliate with personnel. Music does not appear to influence buyer-seller interactions.
Hirsch (1995)	Gamblers	Field experiment	Ambient, odours	Amount gambled	Tested the effects of two ambient odours. One odorant significantly increased the amount gambled while the other did not.
Spangenburg, Crowley & Henderson (1996)	308 undergraduate students	2 x 3 laboratory experiment	Scent affect, scent intensity	Evaluations of the store, environment, merchandise, specific products, intentions to visit, purchase intentions, time spent and number of products examined.	Presence or absence of a scent affects both evaluations and in-store behaviours. Subjects in scented conditions perceived that they spent less time in the store than they actually did, while those in an unscented condition perceived they spent more time in the store than they actually did.
Hui, Dube, and Chebat (1997)	116 undergraduate students	Laboratory experiment	Pleasurable music	Time estimation, emotional evaluation of the environment, emotional responses to waiting, and recommendation of the service.	Music produces significant effects on all four dependent variables and those effects are moderated by whether consumers like or dislike the music.

Source: Turley and Milliman, 2000:198-205 (adapted)

□ Human variables

This category includes customer crowding or density, privacy, customer characteristics, employee characteristics and employee dress. Much of the literature has centred on the crowding issue. Crowding in a retail store consists of two components: actual consumer density and perceived

4.10 SYNOPSIS

The service encounter often referred to as “moments of truth” by many researchers and scholars, (Lewis, 1993:24; Leonard & Sasser, 1982:163; Zeithaml & Bitner, 1996a:105), is essentially the interaction between a service organisation and its customers. This interaction may take on various forms: face-to-face, remote or via the telephone. Every time a customer comes into contact with any aspect of an organisation, he has the opportunity to form an impression of the service provided.

The study of service encounters is imbedded in role and script theories developed by sociologists. The delivery of service can be conceived as drama where service personnel are the “actors”, service customers are the “audience”, physical evidence of the service is the “setting” and the process of services assembly is the performance. Incompatible demands and role expectations placed on employees can result in role conflict. Role conflict may also arise because of the boundary spanning roles played by front-line personnel. Uncertainty on how to behave in a boundary-spanning role can also lead to role ambiguity.

In addition, contact employees can play a central role in one to one exchanges with customers, which impact on customer perceptions of the quality of service provided. The delivery of most services involves considerable interpersonal contact between the service provider and customer. Interpersonal communication is especially important in the so called “pure services” where delivering the service involves a high degree of person to person interaction and no exchange of tangible objects.

A customer's role in a service encounter may take on various forms: as a resource, contributor to quality, satisfaction and value, as a competitor, as a promoter and as consultant to the retailer.

Whilst many of the research studies have focused on provider-customer relationships, customers also relate to other customers (customer to

customer relationships) in their service encounter, especially when there are no salespersons present to assist them.

The non-verbal aspects of interpersonal communication, the form of communicating thoughts and emotions, are at least as important as verbal components in shaping the way a customer feels about his dealing with an employee. The study of retail atmospherics is imbedded in the literature of environmental psychology and researchers recognise that subjects perform certain tasks better in aesthetically pleasing environments. Marketing environments should be carefully sculpted to induce both particular behaviours and evaluations from consumers and to appeal to a specific market.

The physical evidence of the service thus serves as a primary cue for setting customer expectations. Atmospherics, as a tangible cue, can influence customers' responses as they experience the service. Because customers and employees often interact with the atmospherics of a store, the physical surroundings also influence employees and the nature of employee-customer interactions. It is also evident that customers and employees can respond to a store environment, cognitively, emotionally, and physiologically. Environmental dimensions: ambience, spatial layout and functionality encompassing signs, symbols, artefacts, and human variables, also impact during a service encounter.

Stores have distinct environments and marketers understand that the environment is an important part of the shopping experience (Sharma & Stafford, 2000:183). The environment offered by a store can influence consumers' decisions to visit the store (Kotler, 2000:527), and the retail environment can guide consumers' inferences about merchandising, service quality and enjoyment at the store. In addition store environments have also been considered to be a component of the store's overall image (Levy & Weitz, 1998:562).

In the next chapter a review of several service quality improvement models is discussed. The aim of this review is to bring a variety of ideas and models together. This will promote a better understanding of pertinent issues in service quality and strategies open to service organisations.

CHAPTER 5

REVIEW OF SERVICE QUALITY MODELS

5.1 INTRODUCTION

Quality is seen as an important element in defining a service offer. It is also an important medium which consumers use for differentiating between competing services and retailers (Palmer, 1994:173). For tangible goods, examining the product can assess quality. However, with services, quality is less testable. It is normally assessed when the service has been consumed. High quality of services is also considered an important determinant of long-term profitability (Rust, 1995:63; Zeithaml & Bitner, 2000:76; Chang & Chen, 1998:258), repurchase intentions and customer retention. It is therefore reasonable to conclude that poor services will reduce the potential customer base.

Edvardsson *et al.* (1994:20) maintains that improving service quality depends on getting the correct balance between techniques and methods for improving processes and systems, staff attitudes, behaviour and service culture. Superior service quality on a sustainable basis requires that quality becomes an integral part of a company's culture.

In their attempt to explain service quality and the management thereof, several researchers and scholars have proposed various models. Since the objective of this study is to contribute to the improvement and management of service quality, a discussion of some of the more important models is imperative.

5.2 REVIEW OF SELECTED SERVICE QUALITY MODELS

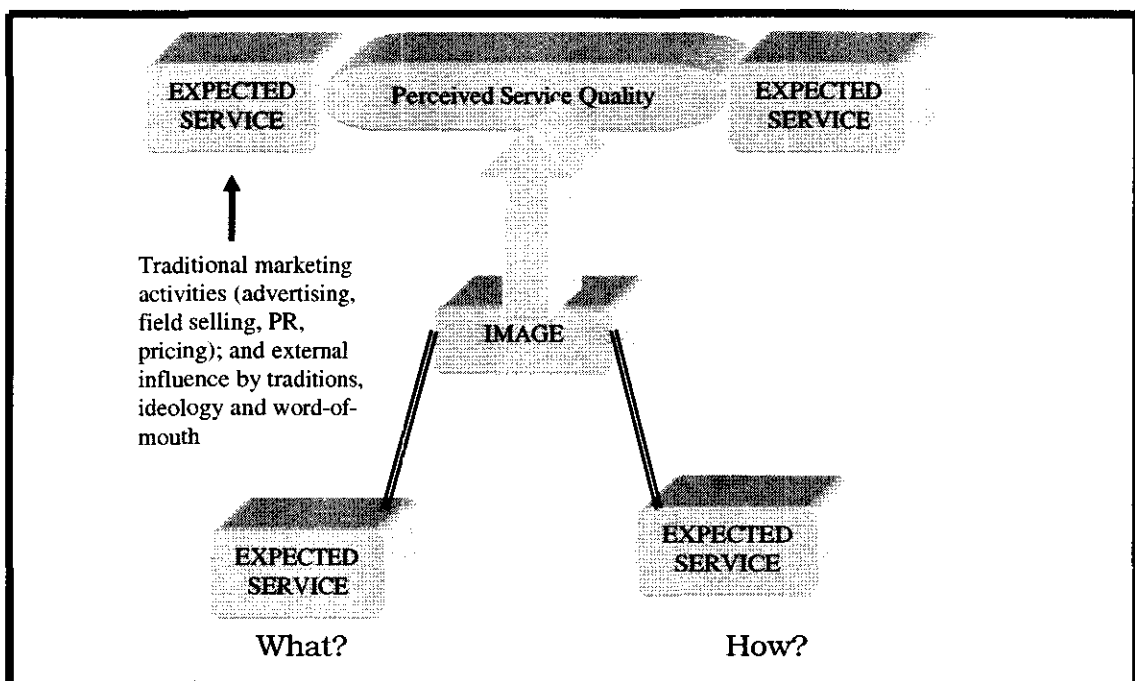
Quality is not a singular but a multi-dimensional phenomenon (Ghobadian *et al.*, 1994:48). It is therefore not possible to ensure product or service

quality without determining the salient aspects of quality. Thus, in reviewing the various models, the generic determinants of service quality will be identified and discussed. Whilst the review does not attempt to explore all the models of service quality, it nevertheless examines those models frequently quoted in the literature.

5.2.1 The Gronroos service quality model

Service quality, as depicted in Figure 5.1 was evaluated by Gronroos, (1984:36-44). Gronroos argued that quality is dependent upon two variables: expected service and perceived service.

FIGURE 5.1 THE SERVICE QUALITY MODEL



Source: Gronroos, 1984:40

Traditional marketing activities such as advertising, field selling and pricing can be used in order to give promises to the target market. Thus according to Gronroos (1984:37) such promises influence the expectations of customers and have an impact on expected services. Furthermore, previous experiences with a service also influence the expectations of customers. He

maintains that service quality comprises of three dimensions, namely technical and functional quality and corporate image. The technical quality of an outcome (according to Gronroos) refers to the actual outcome of the service encounter. The service is basically immaterial and can be characterised as an activity when production and consumption to a large extent take place simultaneously. In a buyer-seller interaction the service is rendered to the consumer. Clearly what happens in these interactions will have an impact on perceived services. This technical outcome of the process is what the customer receives in his interaction with the service. Gronroos's technical service quality dimensions consist of five output-related attributes. These are:

- ❑ employees' technical ability,
- ❑ employees' knowledge,
- ❑ technical solutions,
- ❑ computerised systems, and
- ❑ machine quality.

However, as the service is produced in interaction with customers, the technical quality will not count for the total quality that the customer receives. The customer will also be influenced by the way in which the technical quality is transferred to him functionally. The accessibility of a stores personnel, the appearance, behaviour, what they say and how they say it, also impacts on the customers' view of a service.

Furthermore, the more a customer accepts self-service activities, which he may be expected to perform, the better he would probably consider the services. Other customers simultaneously consuming the same service may influence the way a given customer will perceive the service. This dimension refers to the functional quality, which answers the question how he gets the

service. The functional service quality dimensions consist of seven attributes that are process related (Gronroos, 1984:37). These are employees'

- behaviour,
- attitude,
- accessibility,
- appearance,
- customer contact,
- internal relationship, and
- service-mindedness.

The technical quality could be improved by improving the technical skills of the service personnel or by the usage of modern technology, whereas ensuring satisfying service encounters and maintaining good inter-personal relations could improve functional quality. It is evident from Figure 5.1 that the consumer is not only interested in what he receives but how he receives it.

The third quality dimension identified is corporate image. This refers to the consumer's general perception of the supplier (Aldlaigan & Buttle, 2002:363). Usually this service firm cannot hide behind brand names or distributors. In most cases the consumer will be able to see the firm and its resources during a buyer-seller interaction. Therefore the corporate image is of utmost importance to the service firm. The expectations of the consumers are influenced by their view of the company, *i.e.* by the image. He also maintains that the most important part of a firm, which customers see and perceive, is its services. Therefore, the corporate image can be built mainly by the technical and the functional quality of its services, and also posits the view that in some cases the functional quality is more important than the

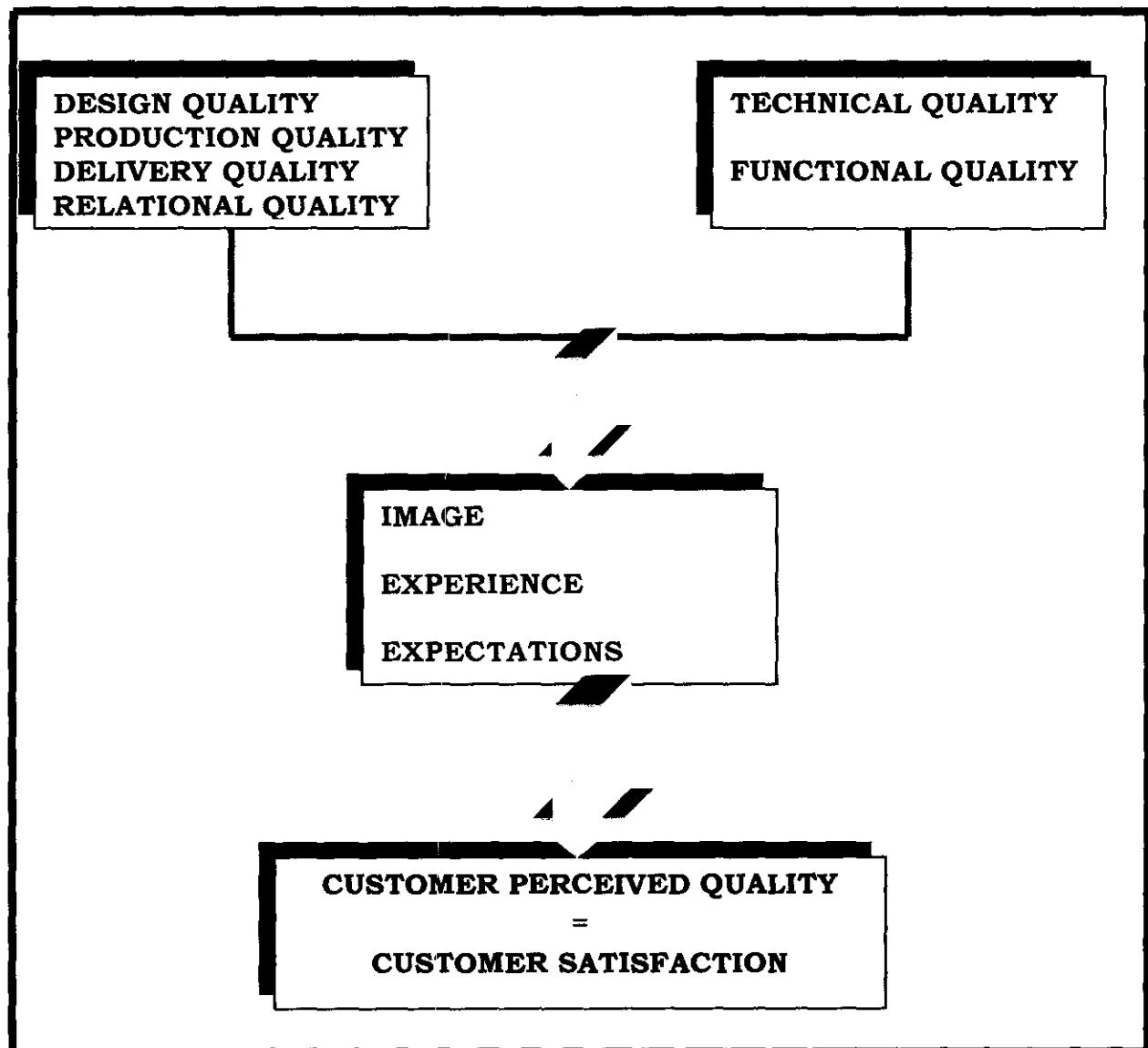
technical quality dimension. Central to his argument is that the conceptualisation of service quality should be customer based and that customer perceptions of quality should thus be the main ingredient of a model of service quality. Placing greater emphasis on the functional quality dimensions is seen as a main drawback of this model.

5.2.2 The Gummesson-Gronroos model

In order to address some of the drawbacks of the model, Gronroos teamed up with Gummesson and revised the model. Gummesson developed a holistic approach to quality (4 Qs model) from research undertaken in a manufacturing company. The model is depicted in Figure 5.2. The 4 Qs in the model are design quality, production quality, delivery quality and relational quality. To achieve design quality, all the physical means of production (for example, facilities and equipment) must be designed in a manner that they are capable of performing the functions demanded by the customer. Production quality refers to the degree to which a product is manufactured according to prior specifications set down by the designer. The delivery process determines delivery quality, whether it is reliable, on time, and whether the goods arrive in good condition. Relational quality implies the good relations between management, employees and customers, which are important to service quality. As implied by the Gronroos model, customers have quality expectations prior to experiencing what the firm in reality offers. They also have some kind of image of the firm.

Management therefore has to understand that quality impacts on various functions of the firm, and that there are several sources of quality, of which production is just one. Technical as well as functional issues will have to be recognised when developing and implementing a design, production and delivery process. Figure 5.2 shows that the model proposed by Gronroos and Gummesson combines their shared belief that the customer's perception of service quality will be established through comparison of expectations with the services he actually received.

FIGURE 5.2 THE GRONROOS-GUMMESSON SERVICE QUALITY MODEL



Source: Gummesson & Gronross, 1987:38

They also agree that the consumers' perception will be a largely subjective evaluation and that service quality is an overall or holistic concept. This model is therefore both customer oriented and process oriented. It stresses the importance of maintaining the right quality in the service, from the design stage until the service is delivered and accepted by the customer.

5.2.3 Haywood-Farmer model

Haywood-Farmer (1988:21) asserts that service quality comprises three dimensions, which he refers to the 3 P s of service quality, namely, physical facilities, processes and procedures, peoples behaviour and professional judgement. Each attribute in turn consists of several factors. Figure 5.3 reflects the model.

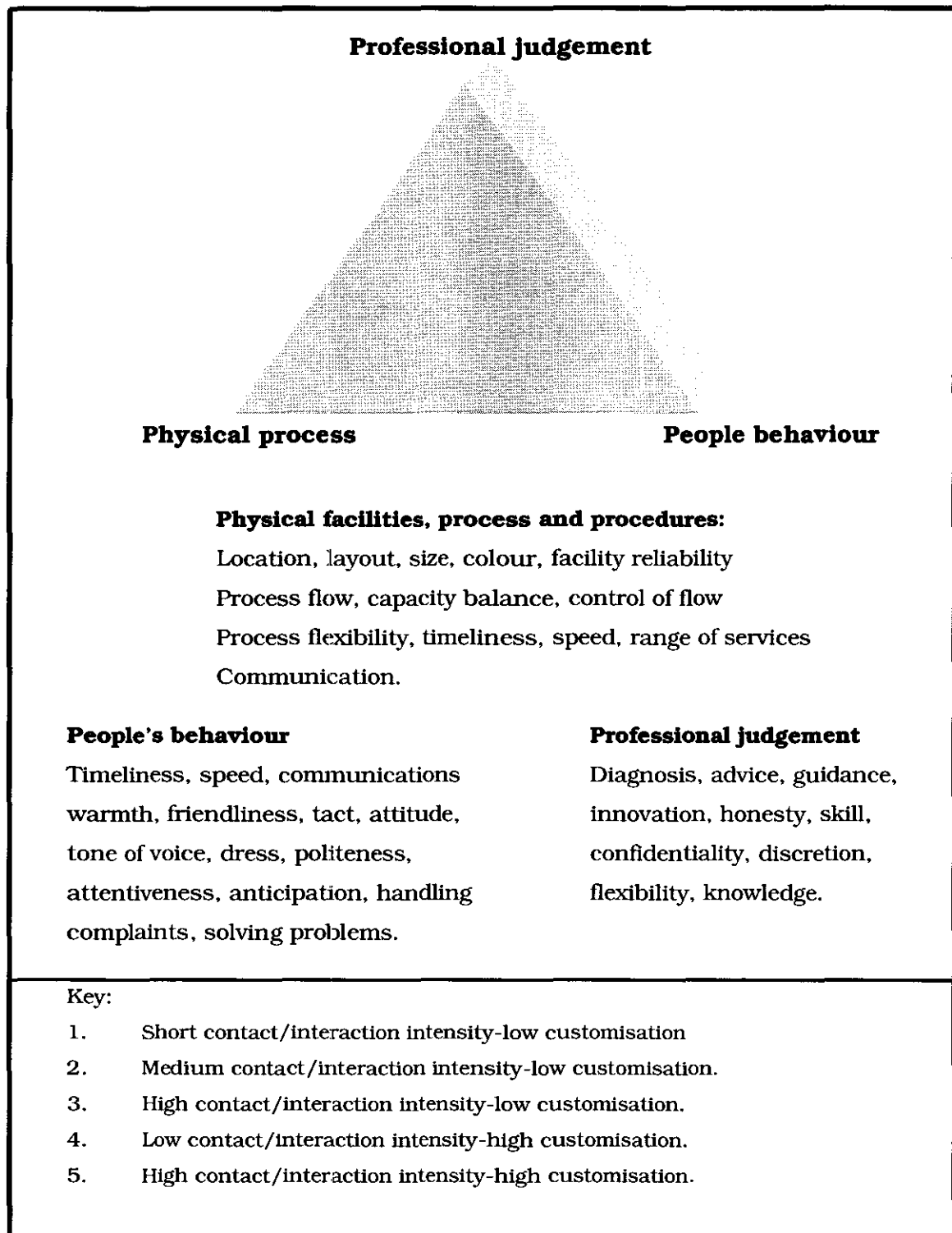
In this model, each set of attributes forms an apex of the triangle. The management task is to identify where the organisation is located in the nexus. This will enable management to provide a service whose elements are internally consistent and focussed on meeting the needs of a specific segment of the target market. In deciding the appropriate position of the service, management needs to consider three operational factors. These are the degree of service customisation, the degree of labour intensity and the degree of contact and interaction.

The physical and process components consist of:

- the physical facilities in which the service is produced, delivered and consumed,
- the facilitating goods that are often sold as part of the service, and
- the processes and procedures by which the service is produced, delivered and consumed.

According to Figure 5.3 several relevant characteristics are important. The location, layout size, décor and reliability of the facility can all influence customer expectations about the service. The behavioural elements include aspects such as employee grooming, warmth, friendliness, politeness, tact, attitude, anticipation of customer needs, attentiveness, timeliness, verbal and non-verbal communication. This dimension also includes how the employee goes about solving customer problems and dealing with customer complaints. In addition, professional judgement incorporates advice, autonomy, diagnostic ability; self-motivation, knowledge and discretion are amongst the hallmarks of professionalism (Haywood-Farmer, 1988:22).

**FIGURE 5.3 THE ORGANISATIONAL SERVICE QUALITY IMPROVEMENT
MODEL**



Source: Ghobadian *et al.* 1994:56

Every organisation requires a certain amount of these characteristics in its employees.

The choice of the elements from each of the above three groups of service quality factors is an important management decision. Management therefore has to choose the combination very carefully to ensure an appropriate balance between them. Haywood-Farmer (1988: 23) points out that, although the concentration on any one or two of these elements and the exclusion of other(s) may be appropriate, it may lead to disaster. By the same token, too little emphasis on any one element can lead to similar problems. Ghobadian *et al.* (1994:51) asserts that the model does not offer a practical procedure capable of assisting management to identify service quality problems or practical means of improving service quality.

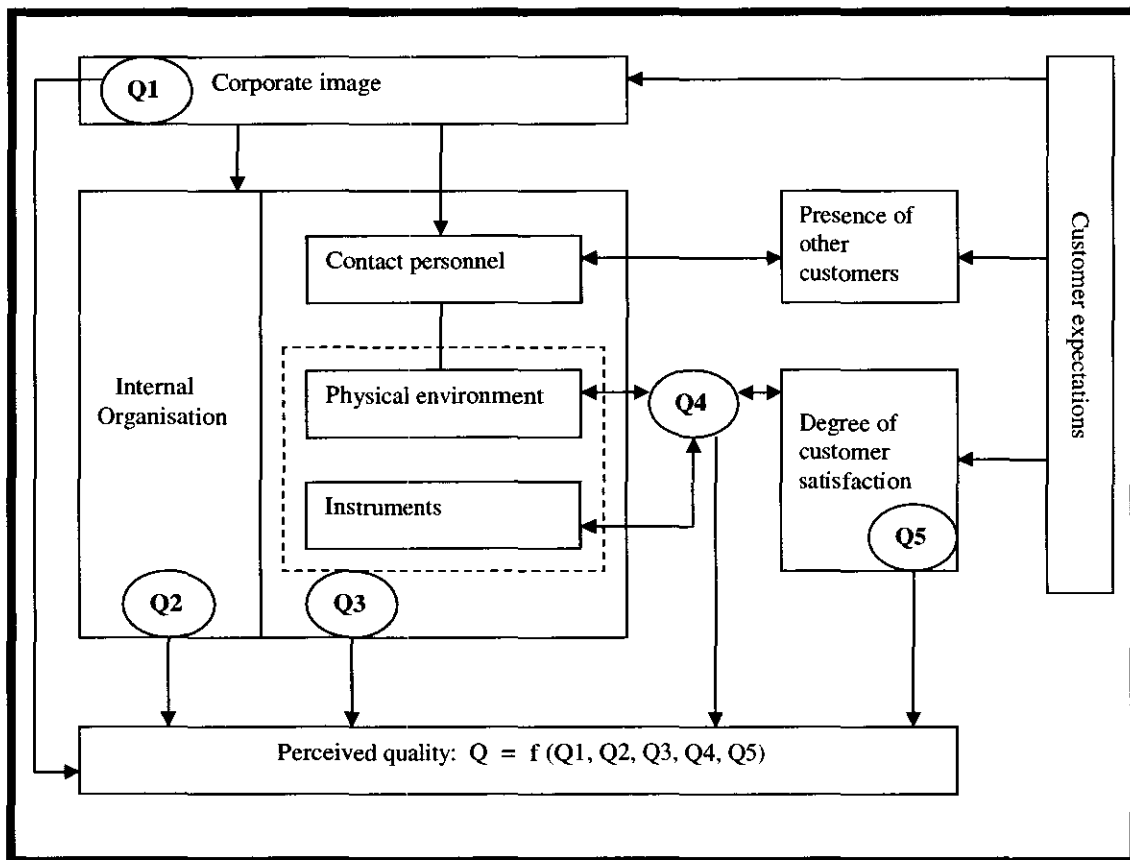
5.2.4 The Le Blanc and Nguyen Service Quality Model

The model is based on the notion that customers view service quality holistically. Authors Leblanc and Nguyen (1988:10) initially propose a model consisting of five dimensions, namely, corporate image, internal organisation, physical support, customer/staff interaction and the degree of customer satisfaction. Figure 5.4 outlines the conceptual model developed by the authors.

Corporate image incorporates various attributes, including the name of the business, its reputation, prices, access to service, the distinctive character of the business, variety of services offered, promises of expected benefits, competitiveness and concern for customers' well being.

Internal organisation incorporates skills of the back-office staff and their ability to offer support services in a timely manner, with technology used by the institution and communication with customers through promotional activities.

FIGURE 5.4 A CONCEPTUAL MODEL OF SERVICE QUALITY



Source: Le Blanc and Nguyen, 1988:10

Physical environment includes the tangible elements such as décor and ambience associated with the service provider. These physical properties, the atmosphere, appearance of buildings, layout and furniture arrangement, trading hours, parking facilities, location and other instruments are used to provide the service.

The service encounter consists of customer/staff interactions. Aspects associated with this encounter would include appearance of staff, friendliness, competence, punctuality and reliability, timeliness and confidence, attentiveness, staff attitude, behaviour of other customers and the procedures used in service delivery.

Customer satisfaction on the other hand is the outcome of the service encounter and reflects the comparison of customer expectations with the performances obtained from the services provided.

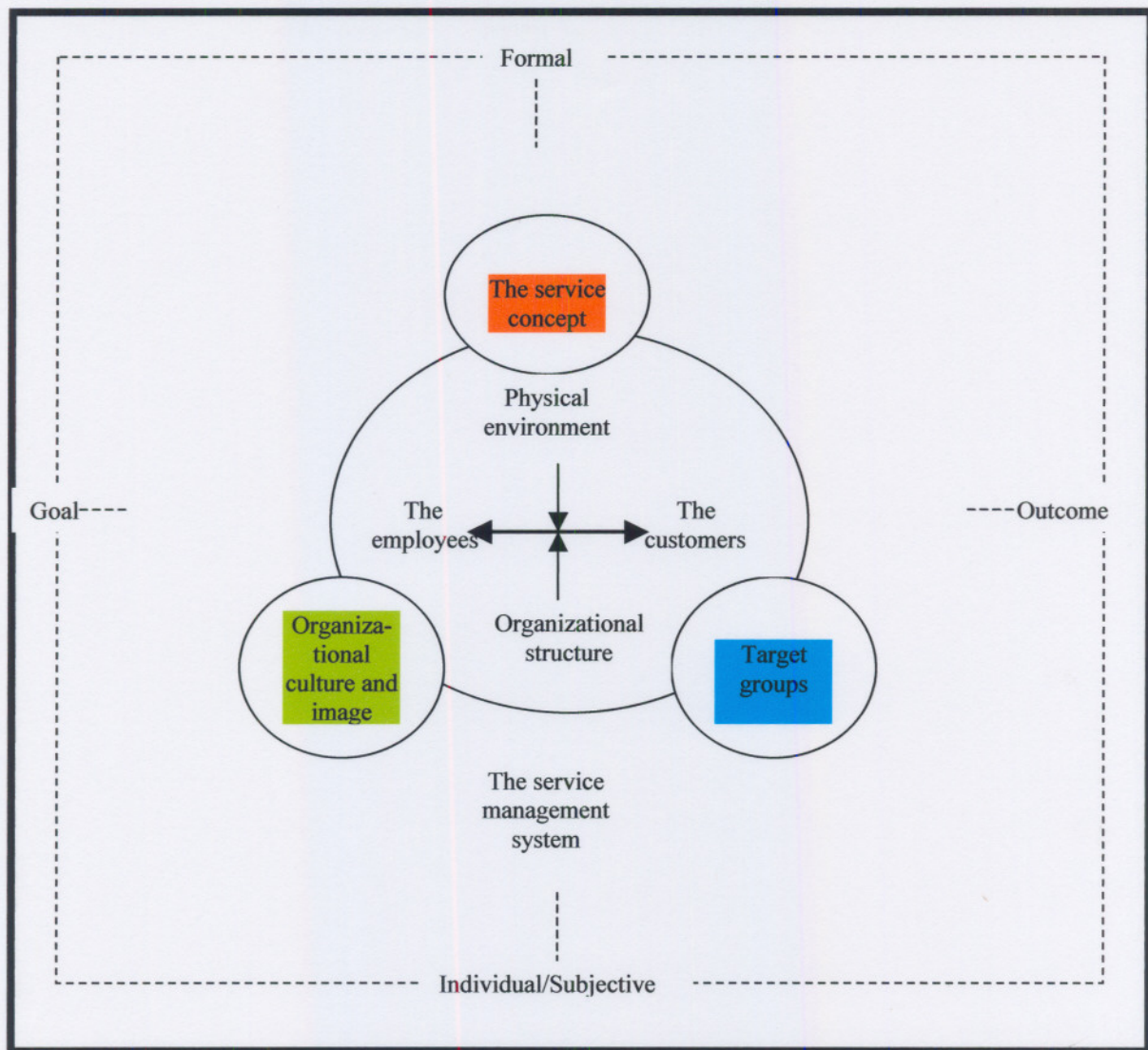
The authors conducted their study amongst financial institutions. Focus group interviews were conducted prior to the main survey, which provided a broad spectrum of elements that were included in the questionnaire. The questionnaires contained forty-five variables related to financial institutions' service offering. These variables were measured on a seven point Likert scale where respondents indicated the extent to which each variable influenced their judgement of the banking institution's quality of service. Using a principal component factor analysis, the forty-five variables were developed into a seven factor solution, namely, contact personal, internal organisation, physical environment and instruments, corporate image, customer interaction, satisfaction and customer/personal interaction.

5.2.5 The Assessment Model

This model was developed by Edvardsson and Gustavasson and helps to identify the causes of quality problems and errors in services (Edvardsson *et al.*, 1994:95). The model analyses a service organisation in terms of the following components:

- target groups,
- service concept,
- organisational culture and image and,
- co-service system.

FIGURE 5.5 THE ASSESSMENT MODEL



Source : Edvardsson *et al.* 1994:99

❑ **The target group**

Services need to distinguish between primary and secondary target groups and identify different customer segments, for example, to distinguish private persons or companies, and private companies from organisations in the public sector (Edvardsson *et al.*, 1994:96).

□ **The service concept**

The service concept refers to the core benefits or advantages offered to the target group. Of importance is that the service concept must be designed on the basis of the needs, requirements and expectations of the target group and to distinguish between primary and secondary customer needs. Thus according to the authors a basic requirement for developing an appropriate service is to understand the customers for a particular service, their needs and preferences.

□ **Organisational culture and image**

This element of the model refers to the general principles on which the service organisation operates. These principles are often informal but may have an impact on operations and their quality. The three most important aspects according to the authors are basic norms and values, management and decision-making styles and social codes such as dress and behaviour. Image, according to Edvardsson *et al.* (1994:97), is the view customers and staff have of the service company and its individual services.

□ **Co-service system**

An important difference between service and goods production from a quality management point of view is the fact that the customer is involved in the co-service process and that the service provider has less control over the environment and the behaviour of the participants. The co-service system consists of four basic components. At the centre are the employees and customers, and the other two components are the physical environment and the organisational structure. The employees are viewed as an important resource, and reward system and career opportunities are equally important to them. The customer is also viewed as a key factor in the co-service system. Without customers, there would be no business.

Thus according to Edvardsson *et al.* (1994:97), the co-service system should be constructed in a way that makes it easy for the customer, not only to participate but actively to contribute to the production of the service. The physical environment provides tangible cues to quality or the lack of it. The co-service system should include, for instance, equipment, office dress and location, which reflect service ambition and customer expectations. The fourth co-service component is organisational culture, which refers to the distribution of responsibility and authority, planning and information systems used and the co-operation between different departments or sections of the company.

The assessment model (Edvardsson *et al.*, 1994:97) adds further fields for analysing service quality, namely,

- ❑ Formal goals: data from this field come from goals stated by top management, obtained from an analysis of the company's business concept, goal description, policy documents and strategic plans.
- ❑ Subjective goals: here the analysis concentrates on how the various participants within the organisation perceive the organisational goals.
- ❑ Formal outcomes: the aim of the analysis in this field is to gain insight into the organisational activities from various formal and official documents reflecting results, such as appraisals, annual reports and annual accounts.
- ❑ Subjective outcomes: here the focus is on how employees perceive the outcome and results of the relationships between the organisation and its customers. An important part of the analysis is to map out the customer's perception of the quality of the service delivered and also to study the employees' view about the service, which they provided.

Thus the service management system not only includes the co-service system, but also the target groups in the market. In addition, organisation culture and image are also used as analytical components.

5.2.6 The Parasuraman-Zeithaml-Berry Service Quality Model

During the 1980s three American researchers Parasuraman, Zeithaml and Berry studied the quality of services, how it arises and how it can be improved. Their groundbreaking research was based on customer perceived quality undertaken in four service industries: banks, credit card companies, stockbrokers and service companies for household machines (Edvardsson *et al.*, 1994:100). Using focus group interviews with three groups in each industry, they analysed their findings into ten factors or dimensions: tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding the customer.

Their first step in developing an instrument to measure perceived service quality, based on the ten dimensions, was to generate statements, which could serve as a measure of each dimension. The initial instrument consisted of ninety-seven items and ten dimensions.

In a later study Parasuraman *et al.* (1988:12-35), through scale purification and successful elimination of items, reduced the number of dimensions to five, namely: tangibles, reliability, responsiveness, assurance and empathy. This resulted in a twenty-two item scale. A summary of each of the dimensions of the scale follows.

With the absence of a physical product, consumers often rely on tangible evidence that surrounds the service in forming evaluations. **Tangibles** refers to the appearance of the physical facilities, equipment, personnel and communications material which reflect images of services that customers use to evaluate quality.

Reliability reflects the consistency and dependability of a company's performance. In its broadest sense, reliability means that the company delivers on its promises in terms of service provision, problem resolution and accurate record keeping. Consumers generally want to conduct business

with companies that keep their promises, particularly their promises about core service attributes.

Responsiveness is the willingness to help customers and provide prompt service. It also concerns the willingness and readiness of employees in dealing with customer requests, questions, complaints and problems. Responsiveness is communicated to customers by the length of time they have to wait for assistance, answers to questions, or attention to problems. Zeithaml and Bitner (2000:84) are of the view that in order to excel on the dimension of responsiveness, a company must view the process of service delivery and the handling of requests from the customer's point of view, rather than from the company's view.

The **assurance** dimension addresses the competence of the firm, the courtesy it extends to its customers and the ability of the firm and its employees to inspire trust and confidence. Competence pertains to the firm's knowledge and skill to perform its services. Courtesy refers to how the firm's personnel interact with the customer. Security is also an important dimension of the assurance dimension. It reflects the customer's feeling that he is free from danger, risk and doubt during the service encounter. Recent robberies at ATM locations provide ample evidence of the harm that may arise at service locations.

Empathy is defined as caring, individualised attention the firm provides its customers. The essence of empathy is conveyed through personalised or customised service. Empathetic firms understand their customers' needs and make service accessible to customers. In contrast, firms that do not provide their customers with individualised attention when requested and offer operating hours convenient to the firm and not its customers, fail to demonstrate empathetic behaviours.

The multiple item scale, called SERVQUAL, was thus developed to measure service quality. The instrument was based on the premise that service quality is the difference between customers' expectations and their evaluation of the service they received (Kurtz & Clow, 1998:105). The

instrument has been tested and adapted for use in various settings to evaluate the quality of service offered by hospitals, business schools, pest control firms, dry cleaning companies, fast food and banks (Metha *et al.*, 2000:16).

This model, often referred to as the disconfirmation model, is based on the disconfirmation paradigm (Robledo, 2001:23). Quality is therefore explained as the gap between customer's expectation and perception. The customer will perceive quality positively only when the service provider meets or exceeds his expectations.

The first part of the questionnaire asks customers to indicate the level of service they would expect from a firm in a particular industry. The second part of the questionnaire asks customers to evaluate the service performed by a specific firm. The level of service quality is then determined by subtracting the perceived service score from the customers' expectation score of each of the questions. This method of determining service quality is referred to as the Gap theory.

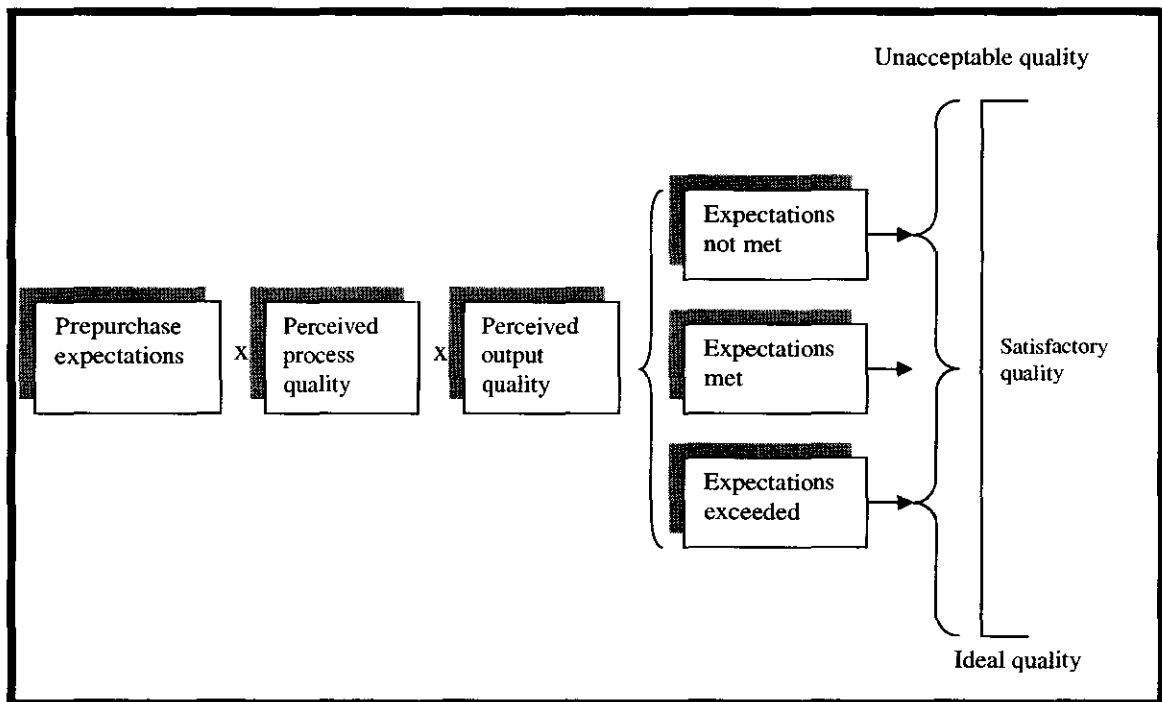
In their first study Parasuraman *et al.* (1985:41-59) drew four conclusions namely

- ❑ Consumers' assessment of service quality is the result of the comparison between their expectations and experience of the service. If their expectations are met consumers are satisfied, if not, they are dissatisfied. If expectations have been exceeded, consumers are more than satisfied.
- ❑ Consumers' assessment of quality is affected by both the service process and by the outcome of the service.
- ❑ Service quality is of two types: the quality of the normal service, and the quality with which critical incidents are handled. Critical incidents are deviations from the norm, situations where the relationship between the customer and the company has done wrong through service failure.
- ❑ Where problems arise, companies have to increase their contact with customers. Many service companies have few personal contacts with

customers but when a critical incident arises, more and closer contact is required to satisfy customers.

Figure 5.6 shows how the customers' expectations and perceptions of various aspects of service quality affect the final quality assessment.

FIGURE 5.6 EXPECTED AND PERCEIVED SERVICE QUALITY



Source: Evardsson *et al.* 1994:102

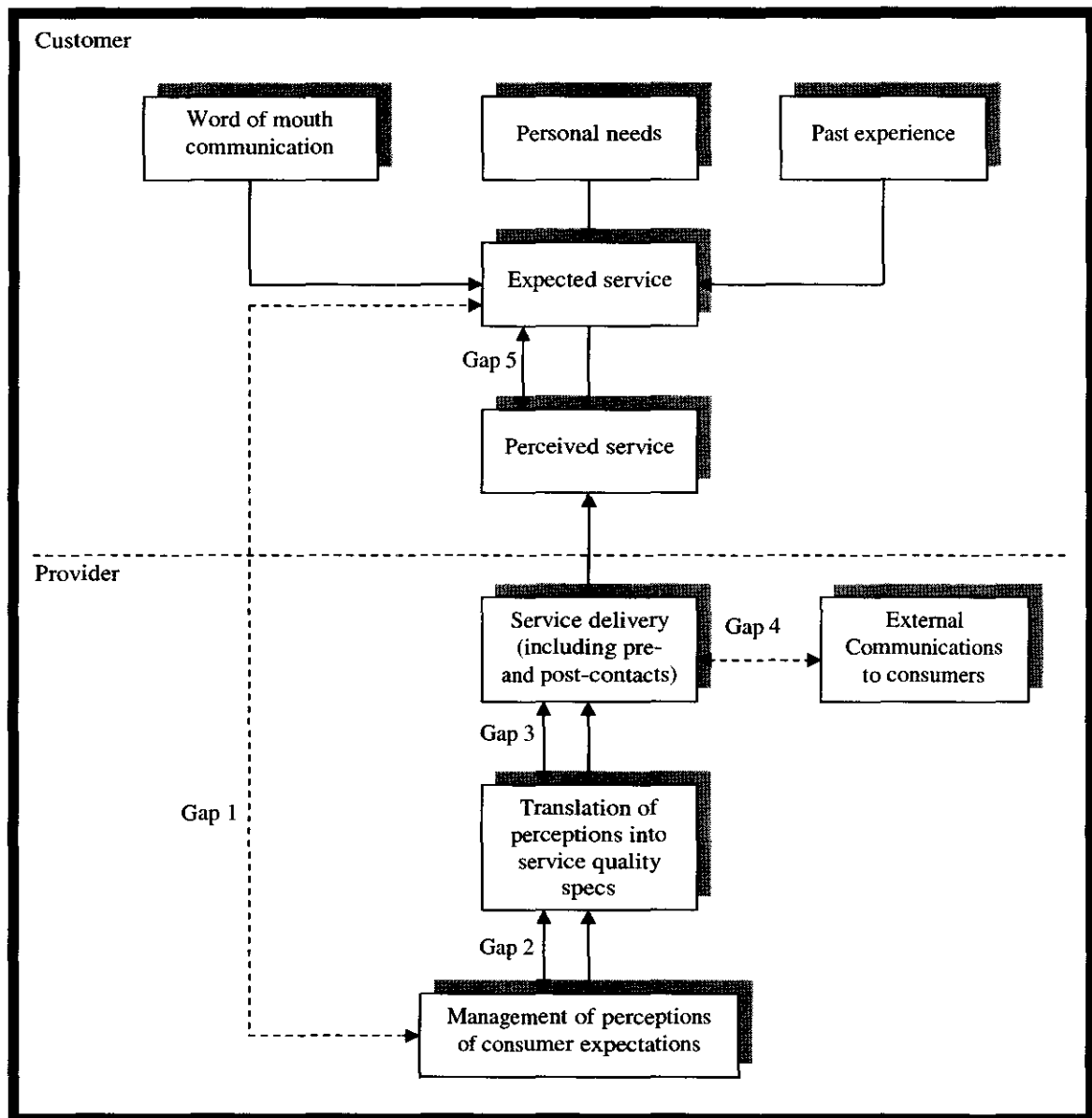
In further studies of service quality by Parasuraman *et al.* (1994b:202), the authors found that there are two levels of customer expectations of the service, adequate and desired level. The first level is what the consumer finds acceptable and the second is what the consumer hopes to achieve. The distance between the adequate and desired level of service is referred to as the zone of tolerance (refer to Chapter Three, page 103).

❑ The Gap Theory for improving service quality

Arising out of the SERVQUAL model, the GAP theory was developed which

reflect what retailers need to do to provide high-quality customer service. Figure 5.5 is a typical model reflecting the GAP theory for improving service quality. It can be seen from Figure 5.5 that retailers need to reduce the **service gap** to improve customer satisfaction.

FIGURE 5.7 THE GAP MODEL



Source: Zeithaml and Bitner, 2000:482

According to Levy and Weitz (1998:580), four factors affect the service gap.

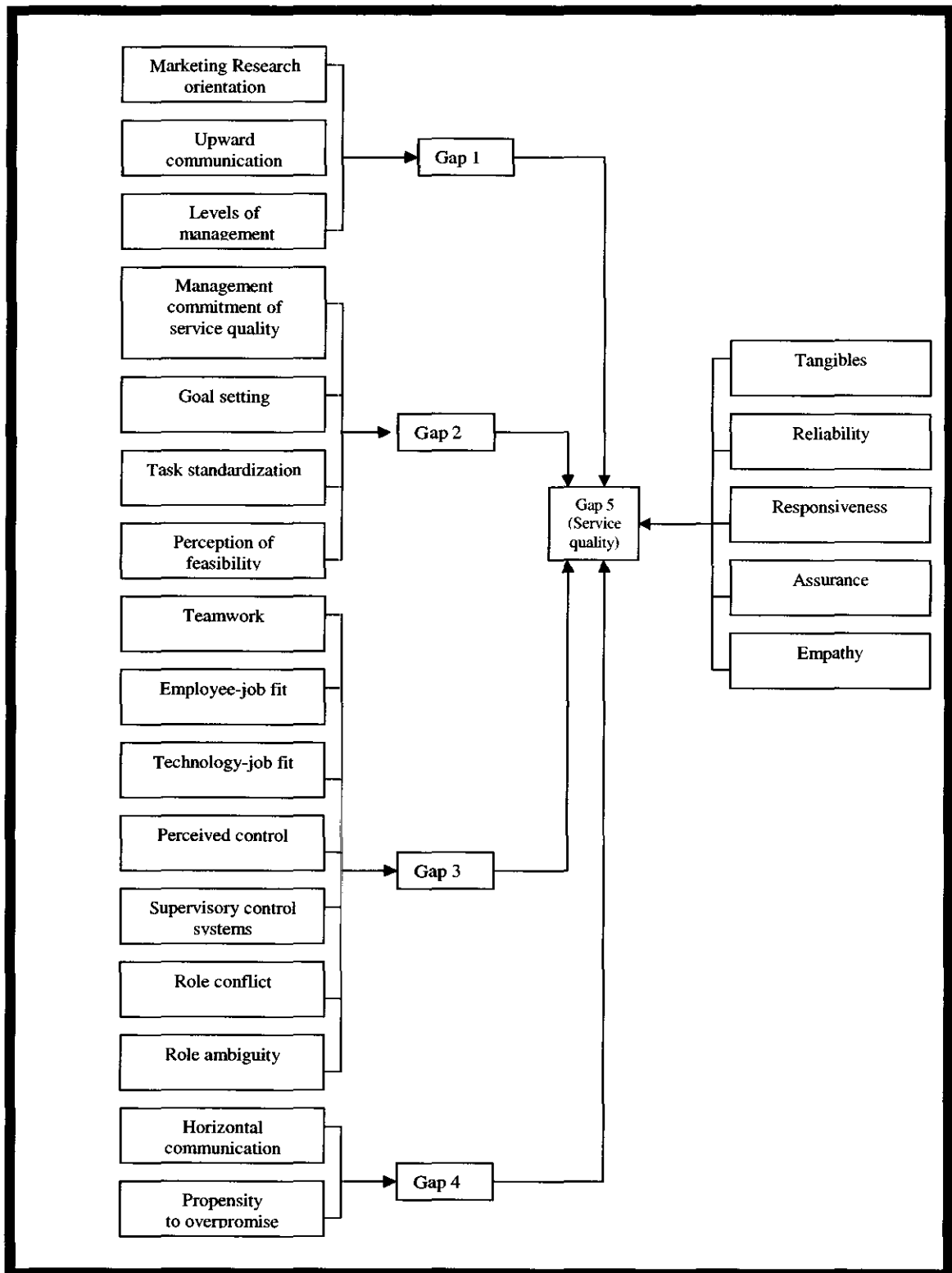
- ❑ Knowledge gap: this is the difference between the customer expectations and the retailer's perception of customer expectations.
- ❑ Standards gap: this is the difference between the retailer's perception of customer' expectations and the customer service standard it sets.
- ❑ Delivery gap: the differences between the retailer's service standards and the actual service provided to customers.
- ❑ Communications gap: the difference between the retailer's actual service provided to customers and the service promised in the retailer's promotion.

The four gaps add up to the service gap. It is the task of the retailer to close these gaps by reducing each of the four gaps. The key to improving service quality is to:

- ❑ Understand the level of service customers expectations,
- ❑ Set standards for improving service quality,
- ❑ Develop and implement programmes to meet these standards,
- ❑ Develop communications programmes to inform customers about the services offered by the retailer.

Figure 5.8 shows a further development of the original Gap model. This model illustrates the inter-organisational factors, which affect the different gaps, thus facilitating an analysis of what caused the gaps and how they can be reduced.

FIGURE 5.8 FURTHER DEVELOPMENT OF THE GAP MODEL



Source: Edvardsson *et al.* 1994:106

❑ **The knowledge gap**

Retailers often lack proper information that customers need and expect. Figure 5.9 highlights the key factors responsible for the gap. For example, a departmental store may hire people to make sure the shelves are well stocked so that customers will always find what they want but may fail to realize that customers are more concerned about waiting for long periods at the checkout point. From the consumer's point of view, the store's service would improve if they hired more staff to open extra checkout points. The strategy that can be used by retailers to reduce this gap is to use market research to better understand customers' expectations. Complaints handling is also an effective way to isolate and correct service problems. Upward communication is important in reducing this gap. Service contact personnel should be encouraged to communicate with management in an open, non-threatening manner. To be effective, upward communication should be requested by top management. Ideas for improvement should not only be sought from service personnel but they should be rewarded for productive ideas. (Kurtz & Clow, 1998:112). Front-line employees often know much about customers and if management is not in contact with them and does not understand what they know, the gap widens.

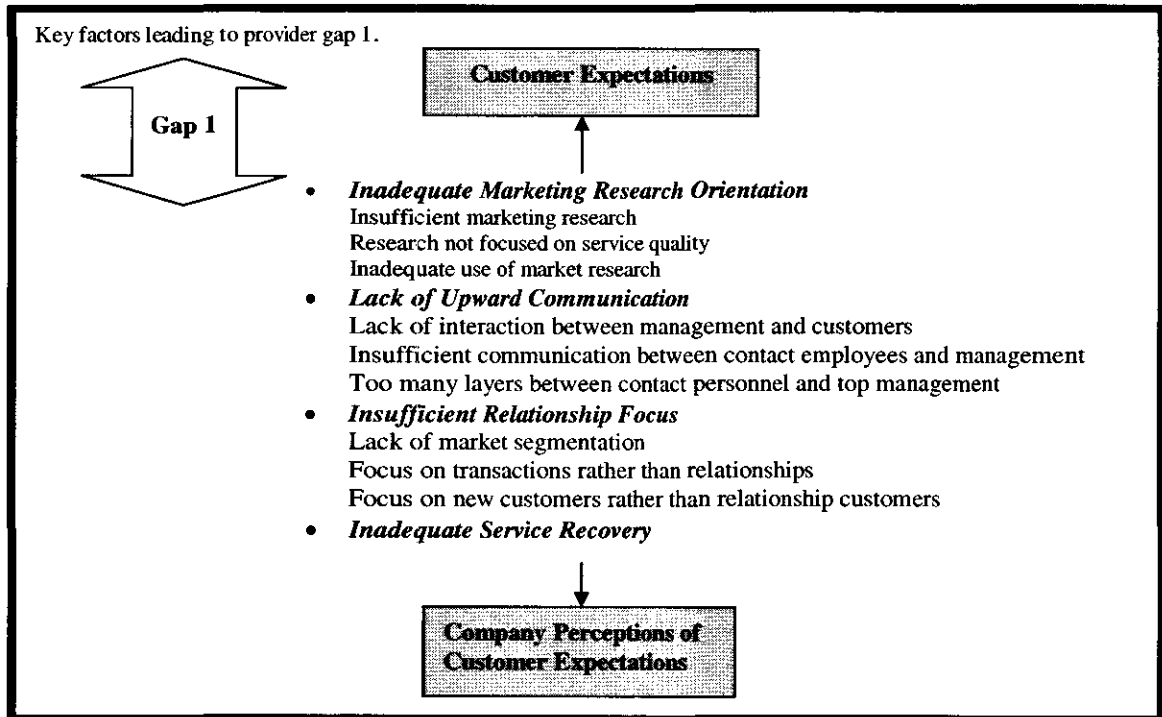
Lack of company strategies to retain customers and strengthen relationships with them (relationship marketing) can also cause the knowledge gap. Equally important is knowledge of service recovery programmes as it is essential for employees to understand service recovery; why people complain and how to develop effective strategies when dealing with service failures.

❑ **The standard gap**

Management may understand and know what customers want, but may fail to translate these expectations into correct service policies. The information should therefore be used to set standards and develop systems for delivering high-quality service. For example, a superstore may set operations standards whereby warehouse deliveries to the store take place every day. Frequent deliveries may not mean more merchandise on the shelves or improved

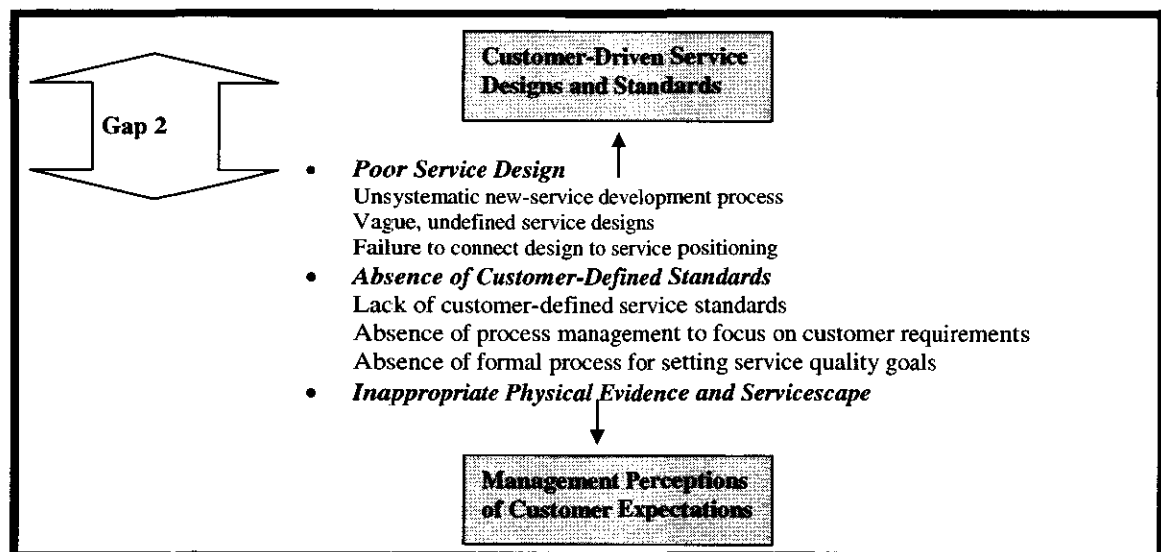
customers' impressions of shopping convenience. Figure 5.10 shows the key factors leading to this gap.

FIGURE 5.9 KEY FACTORS LEADING TO THE KNOWLEDGE GAP



Source: Zeithaml and Bitner, 2000:483

FIGURE 5.10 KEY FACTORS LEADING TO THE STANDARDS GAP



Source: Zeithaml and Bitner, 2000:495

When service standards are absent or when the standards in place do not reflect customers' expectations, quality of service as perceived by customers is likely to suffer (Zeithaml & Bitner, 2000:485).

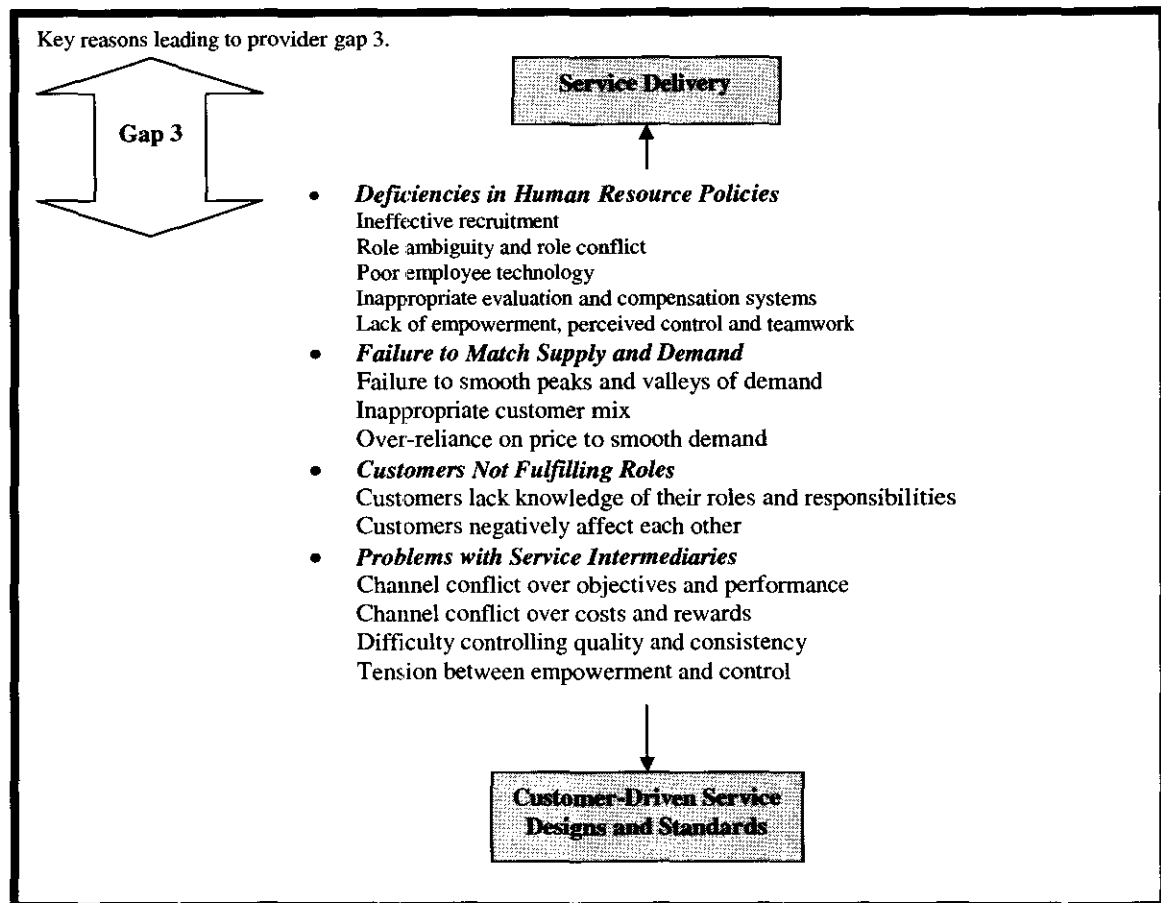
In addition the servicescapes, the physical setting where the services are delivered should be appreciated. Service organisations should therefore explore the importance of the physical evidence and the variety of roles it plays in meeting customer expectations.

To close this gap requires commitment from top management in providing a high level of service. Service quality goals need to be set and these goals must be customer orientated. Including customers in the goal setting process can be advantageous to both management and service contact personnel. Task standardization can also contribute to reducing this gap. Work methods can be standardised to provide a uniform delivery of service. Retailers need continuously to assess service quality to ensure that goals will be achieved. Many retailers undertake periodic customer surveys to assess service quality. Many retail stores in the USA use mystery shoppers to assess their service quality (Levy & Weitz, 1998: 589). A mystery shopper is a professional shopper who "shops" a store to assess the service provided by store employees.

□ The delivery gap

The primary cause of this gap is due to the variable and inseparable nature of services. Whilst people perform most services, the quality of services is largely dependent upon how well the service provider performs the job. Standards should be backed by appropriate resources (people, systems and technology) and should be enforced to be effective. Figure 5.11 identifies many of the critical inhibitors to closing this gap. These include employees who do not clearly understand the roles they are to play in an organisation, employees who see conflict between customers and company management, the wrong employees, inadequate technology, inappropriate compensation and recognition and the lack of empowerment and teamwork.

FIGURE 5.11 KEY FACTORS LEADING TO THE DELIVERY GAP



Source: Zeithaml and Bitner, 2000:486

To deliver better service performance, these issues should be addressed across functions (for example, both marketing and human resources departments should be involved) if they are to be effective (Zeithaml & Bitner, 2000:487). There is also a need to synchronise demand and capacity because services are perishable and cannot be inventoried. Companies can therefore face situations of over-and under-demand.

Part of the variability in the delivery gap arises from employees and intermediaries who are involved with service delivery. Both customers and employees can therefore introduce heterogeneity in service delivery. If customers do not perform their roles appropriately, for example, they fail to provide all the necessary information to the service provider, service quality is jeopardised.

To reduce this gap, retailers should give service providers the necessary skills, provide instrumental and emotional support, and empower employees to act in the customers' and firm's best interests. Store employees should be knowledgeable about the product they offer as well as know their customers' needs. With this information, employees can answer customers' questions and suggest products. In terms of instrumental support, employees must be provided with the appropriate systems and equipment to deliver the service desired by customers. Emotional support is the support required by a staff member from their co-workers and superiors. Teamwork is therefore an important ingredient in developing emotional support. Equally important is the concept of perceived employee control (Kurtz & Clow, 1998:117). When employees are allowed some flexibility and control in the service process, morale is enhanced, and there is a greater desire to perform the service properly. Flexibility and control will also allow the service by employees to modify the process to meet the particular needs and desires of the customers. Employee empowerment should therefore be encouraged.

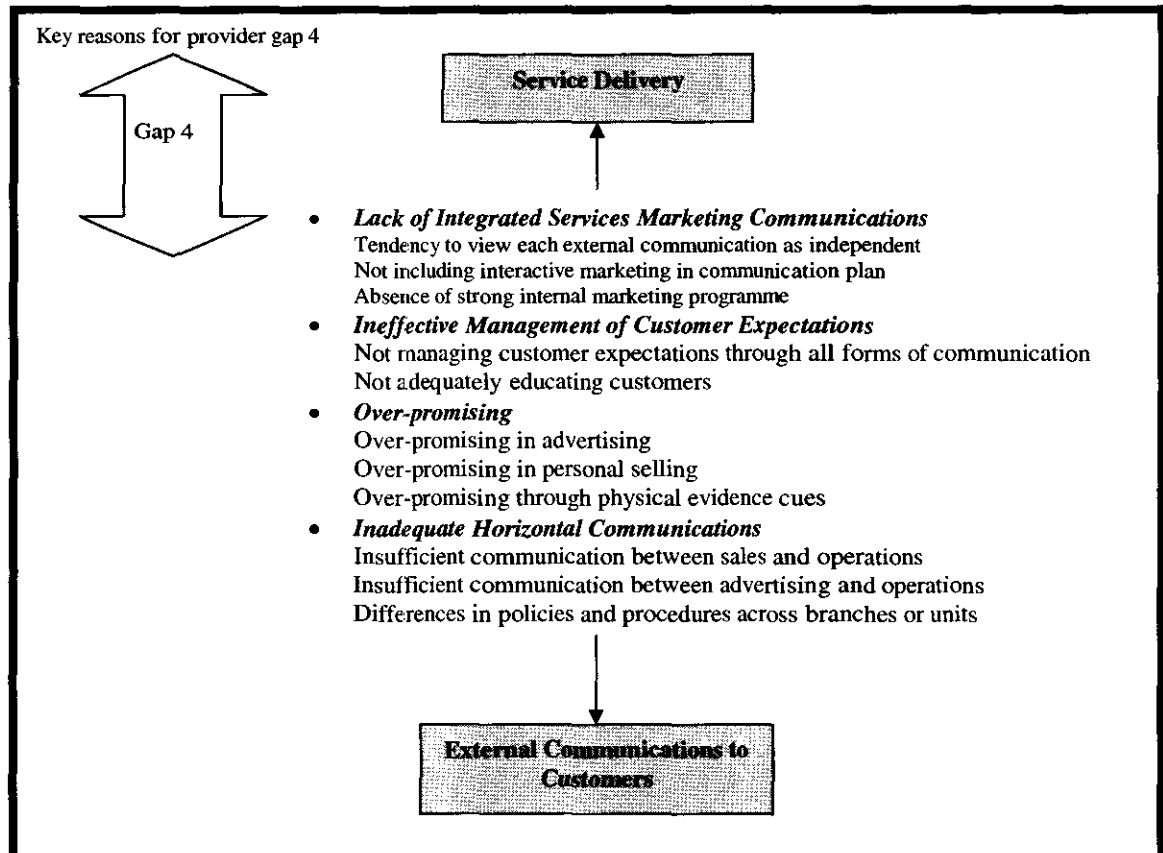
□ **The communications gap**

Figure 5.12 reflects the key issues that lead to the communications gap. To reduce this gap requires retailers to address two issues, namely, horizontal communication and the propensity to over-promise.

Overstating the services offered raises customer expectations. Promises made to consumers by a firm's advertising, sales promotion and sales staff may be explicitly stated or they may be implied. If the retail firm does not provide the service that is promised, there is a gap between what customers expected and the service received. Raising expectations too high may initially bring in more customers, but it can also create dissatisfaction and reduce repeat business. Advertising the marketing department typically prepares programmes, while the store operations divisions delivers the service. Poor communication between these areas can result in a mismatch between an advertising campaign and the services the store can actually offer. Service contact staff should have input in the firm's advertising and promotional

campaigns. This will ensure that the message that is conveyed to the prospective customers can be operationally performed.

FIGURE 5.12 KEY FACTORS LEADING TO THE COMMUNICATIONS GAP



Source: Zeithaml and Bitner, 2000:488

❑ **The perceived Service Quality Gap**

This gap means that the perceived or expected service is not consistent with the expected service. This gap results in:

- ❑ Negatively confirmed quality (poor quality) and a quality problem,
- ❑ Bad word of mouth,
- ❑ Negative impact on corporate image, and
- ❑ Lost business.

However, the fifth gap could also be positive, which leads to positively confirmed quality. The gap analysis model could therefore guide

management in finding out where the reasons for quality problems lie and in discovering appropriate ways to close those gaps.

5.3 RETAIL SERVICE QUALITY MODELS

Whilst much of the literature on service quality is based on a service setting, little attention is given to service quality in a retail setting, *i.e.* firms that offer a mixture of goods and services (Dabholkar *et al.*, 1996:04). Given the lack of theory-based factor structure from retail literature, and the fact that SERVQUAL has not been supported or successfully adapted to retailing (Carman, 1990:33-55; Babakus & Boller, 1992:253-268; Teas, 1993:18-34; Finn & Lamb, 1991:483-490), Dabholkar *et al.* (1996, 14) conducted further research to gain an understanding of the dimensions of retail service quality.

5.3.1 The Retail Service Quality Model (DTR scale)

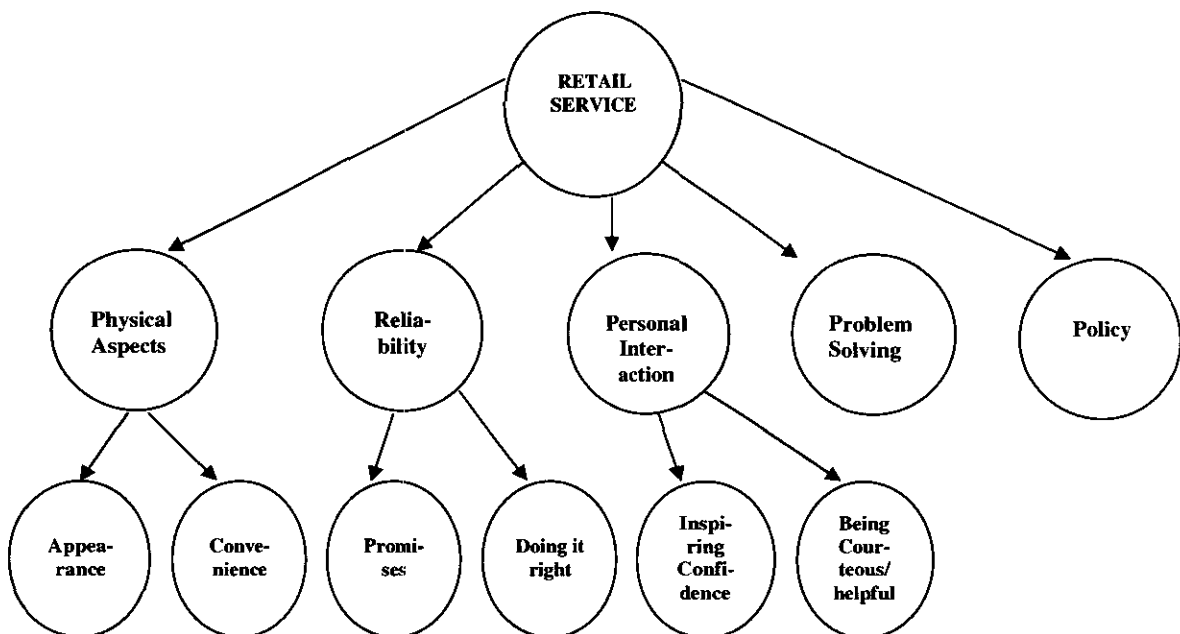
Researchers Dabholkar *et al.* (1996: 6) used qualitative research techniques with three different methodologies: phenomenological interviews, exploratory depth interviews, and tracking the customer through the store to monitor evaluations of shopping experience. The objective was to use triangulation of research techniques to gain further insights into factors important to consumers of retail in evaluating service quality.

A total of seven stores from two departmental chains were used in the study. College students majoring in retailing were assigned to stores to do fieldwork. In addition, regular store employees administered the questionnaire sent to each store. A sample of 227 respondents was obtained. Their findings show that their five-factor structure (different from the SERVQUAL factor structure) was well supported as descriptors of service quality. By combining these qualitative findings with SERVQUAL, Dabholkar *et al.* proposed that retail service quality comprises five basic dimensions, with three of the items having two sub-dimensions. The five basic dimensions proposed were physical aspects, reliability, personal interaction, problem solving and policy. Figure 5.13 outlines the Retail Service Quality

Model. Physical aspects refer to the appearance of the store, cleanliness of its public facilities and the convenience offered to the customers by the layout of the physical facilities. Reliability was viewed as a combination of keeping promises and “doing it right”. Personnel interaction involved two sub-divisions, namely, service personnel inspiring confidence and being courteous and helpful. This refers to the store’s personnel and the ability to help when needed. Problem solving addressed the handling of returns and exchanges as well as complaints. Policy referred to aspects of service quality that were directly influenced by store policy, for example, convenient operating hours, credit and charge policies and quality of merchandise.

The DTR’s proposed measure of retail services quality consists of a twenty-eight item scale, with seventeen items from SERVQUAL and eleven items developed by *Dabholkar et al.* In South Africa, Terblanche (1998:377) also proposes the use of this scale in measuring service quality in the retailing environment.

FIGURE 5.13 THE DIMENSIONS OF RETAIL SERVICE QUALITY



Source: Dabholkar et al.1996:06

□ Replication studies of the Retail Service Quality Model in the United Kingdom (UK)

Sui and Cheng (2001:88-96) applied the Retail Service Quality Model in Hong-Kong, in an attempt to determine its applicability in other cultures, using the perceptions-only measure of service quality (SERPERF) as proposed by Cronin and Taylor (1992:55-68). A multi-national departmental store chain was used in their survey. The questionnaires were administered prior to the respondents, shopping experience. Five stores from the chain were chosen and a sample of 200 respondents was obtained. The findings showed that the original Retail Service Quality dimensions did not factor out as proposed by the authors. The authors proposed six dimensions, namely, policy, physical appearance, promises, personal interaction, problem solving and convenience. Policy emerged as the most favourable dimension by consumers and it had a positive impact on future consumption behaviour.

Kim and Jim (2002:223-237) recently presented an exploratory study that examined whether the scale of Dabholkar *et al's.* (1996) could be validated in a discount retail setting in two different countries, namely, the USA and Korea. The authors found only three correlated dimensions of service quality in both samples (*i.e.* physical aspects, reliability and personal attention). In addition, factor loading for the Korean sample was consistently lower than the USA sample. This study supports the argument that cross-cultural differences do effect customer evaluations of service quality.

□ Replication studies of the Retail Service Quality Model in South Africa (SA)

In South Africa, Boshoff and Terblanche (1997:123-133) undertook a replication study of the model in measuring service quality. Their sample consisted of 352 hypermarket shoppers in a mall intercept type situation. Personal interviews were conducted immediately after the consumer had completed his shopping experience and whilst they were waiting in the queue to pay for merchandise.

The questionnaire consisted of thirty-two items, of which seventeen were from the original SERVQUAL scale. Eleven items were added from the Retail Service Quality scale and four other questions were added to assess the predictive, convergent and discriminate validity of the Retail Service Quality questionnaire. The authors have concluded that the Retail Service Quality instrument has shown to be a reliable and valid instrument in South Africa. However, it must be noted that the Retail Service Quality Model was used in a hypermarket context and not in supermarkets. Supermarkets are much smaller compared to hypermarkets, and whilst they carry a large variety and brand assortment of merchandise (food and non-food) they also carry a limited line of sporting goods, home improvements and house-ware products. Hypermarkets, on the other hand, are much larger, place heavy emphasis on large facility size, experience a larger annual transaction and often associated with infrequent purchases (Mason *et al.*, 1991:93). In addition, supermarket customers rely almost entirely on self-service practices. In hypermarkets, whilst based on self-service, interaction by customers and store personnel is more prevalent especially with appliances, furniture and home improvement merchandise.

Thus consumer perceptions of service quality, whilst may capture most of the dimensions of the Retail Service Quality Model may not be the same for supermarkets.

5.3.2 The Calsuper Scale of Service Quality

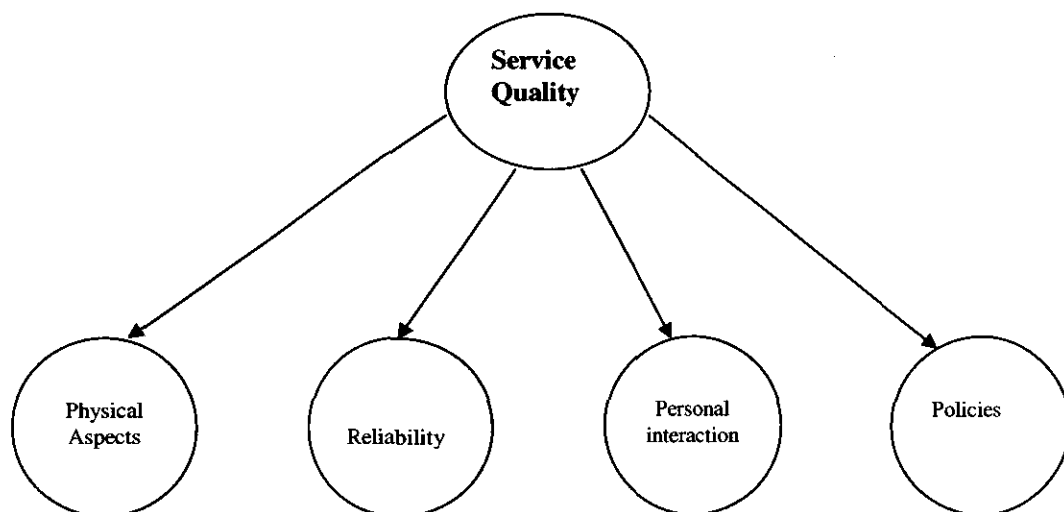
Vasquez *et al.* (2001:1-14) also noted that service categories that were used in the development of SERVQUAL are different to goods retailing (they fall closer to the pure service end of the pure service-goods continuum than store retailing). It may well be that consumers use different criteria to evaluate competing goods retailers, who sell a mix of goods and services, than they use to evaluate retailers that are primarily or exclusively service firms (Finn & Lamb, 1991:489).

Given the difficulty of adopting, without modifications, the SERVQUAL instrument, Vazques *et al.* (2001:02) proposed performing additional research in order to improve the understanding of service quality dimensions in supermarkets. The authors developed a research procedure consisting of two sequential and complementary stages.

- ❑ Exploratory research by means of group interviews in order to develop a questionnaire aimed at analysing service quality in supermarkets.
- ❑ Descriptive research by means of survey performed on a representative sample of customers. This assisted in quantifying behaviours in order to obtain consumers' opinions on perceptions and expectations of service quality in supermarkets.

Combining the conclusions obtained from the review of literature with qualitative research and the experiential knowledge of the authors in this industry, a structure of four basic dimensions was proposed for supermarket service quality as shown in Figure 5.11.

FIGURE 5.14 STRUCTURE PROPOSED FOR RETAIL SERVICE QUALITY



Source: Vasquez *et al.* 2001:04

The four dimensions are discussed below.

- ❑ Physical aspects: it has a broader meaning than the “tangibles” dimension in the SERVQUAL. Besides the appearance of the installations, it incorporates the ease and convenience of shopping derived from the interior design and the appearance of the supermarket.
- ❑ Reliability: this dimension of keeping promises refers to the fact that supermarkets must stock adequate products to sell and which are subject to publicity campaigns to attract customers. Dabholkar *et al.* (1996:14) suggested that for customers, reliability implies keeping promises and doing it right the first time. The SERVQUAL scale also supports the idea. Doing it right thus involves a supermarket insisting on carrying out fast sales transactions (reducing wasting time at the pay points), and providing the customer with error-free information (informing customers about sales promotions, and clearly indicating the price of products at sales points).
- ❑ Personal interaction: Vasques *et al.* (2001:05) are of the view that for customers it is not only important what is sold (technical quality) but also the process followed in order to obtain the sales (functional quality). This dimension therefore relates to how the customer is treated and it combines aspects which in the SERVQUAL scale are included under the title “responsiveness”, “assurance” and “empathy”.
- ❑ Policies: this dimension captures aspects of service quality that are directly influenced by the merchandise sold and by the strategies of price and brand assortment followed by retailers.

To test their proposed service quality structure, Vasques *et al.* (2001:07) applied confirmatory factor analysis and tested the reliability and validity of the instrument. The authors reduced their twenty-eight variables to eighteen, and developed a scale called the CALSUPER scale. The authors conclude that the model, with four basic dimensions as first order factors, emerged as appropriate in measuring supermarket service quality.

However, the research was undertaken in Spain using Spanish samples and may not necessary be applicable to South Africa, with its diversity in cultures. Thus the dimensions may not have the same emphasis in a South African context.

5.4 THE SERVQUAL SCALE REVISITED

Research literature on service quality has grown enormously over the past two decades (Cronin & Taylor, 1994:125., Babakus & Boller, 1992:253., Teas 1993:18). However, the SERVQUAL instrument of Parasuraman *et al.* (1988:12-40), a twenty-two item scale that measures service quality along five factors, forms the corner stone on which all other works have been built (Sureshchander *et al.*, 2002:10).

Whilst the original SERVQUAL instrument has been revised, refined and reformed, its primary content remains unaltered. Several works have dealt with the theoretical underpinning and practical application of SERVQUAL in a variety of business settings (Buttle, 1996:09), and many not without controversies. The first amongst a long list of researchers to question and criticize the validity of SERVQUAL was Carman (1990:35). The major concern raised by the author was on the psychometric soundness of the difference between expectations and perceptions, and questions the collection of expectations data.

Some of the concerns of Carman were further endorsed by Babakus and Boller (1992:253-255). In an empirical research in an electrical and gas utility company, the authors found different content, convergent and discriminant validities for the SERVQUAL factors and suggested that dimensionality may vary with the type of service under study. In other empirical works, Cronin & Taylor (1992:55-68; 1994:125-131) criticised the conceptualisation and measurement of service quality through the SERVQUAL instrument. The authors through research tested their performance-only scale (SERPERF) with the SERVQUAL scale and found that the performance-only scale better captures the variation in service quality.

Further criticisms were levelled by Teas (1993:19). His studies examined the operational and conceptual issues associated with perceptions minus expectations (P-E) and developed alternative models of perceived service quality based on evaluated performance. Teas concluded that the evaluated performance model could overcome some of the problems associated with the P-E gap conceptualisation of service quality. Peter *et al.* (1993:655) also cautions on the use of difference in scores (Gap Model), *i.e.* by subtracting the expectations from perceptions and reports that it can create problems with regard to validity.

Buttle (1996:09) summarises some of the criticisms of the application of the SERVQUAL instrument.

- ❑ There is little evidence that customers assess service quality in terms of perceptions minus expectations gaps. Expectations may not exist or may be not be formed clearly enough to serve as a standard for the evaluation of a service experience. Expectations may be formed simultaneously with service consumption. In some instances expectations may attract a socially desirable response bias. Respondents may feel motivated to adhere to high expectations. A further criticism is that the SERVQUAL instrument fails to capture the dynamics of changing expectations. Consumers learn from experiences and thus their expectations may change over time. Babakus and Boller (1992:256) found that the dominant contributor to the gap score was the perception score, because consumers generally rate their expectations higher than perceptions.
- ❑ SERVQUAL's five dimensions are not universal, and items do not always load on to factors as one would expect. The number of dimensions are questionable and their stability from context to context. Table 5.1 outlines a summary of the replication studies undertaken using the SERVQUAL scale and a brief analysis thereof. It is evident from the table that all the SERVQUAL dimensions did not factor out when applied to a retail setting.. Gronroos (1984:40) has identified three components of service quality: technical, functional

and reputational (corporate image). When the SERVQUAL instrument was employed in a modified form, more than five dimensions were revealed in some cases (Dabholkar *et al.*, 1996:05; Vasques *et al.*, 2001:03; Buttle, 1996:13). Babakus and Boller (1992:264) reasoned that the domain of service quality may be factorially complex in some industries, and simple and unidimensional in others. In fact the authors claim that the number of service quality dimensions is dependent upon the particular service offered.

TABLE 5.1 SUMMARY OF SERVQUAL REPLICATION STUDIES

<i>Study</i>	<i>Instrument</i>	<i>Analysis</i>	<i>Factor Structure</i>
Babakus and Mangold (1989)	15 of original 22 items	Exploratory factor analysis	One meaningful factor was found. Could not identify the <i>a priori</i> five-factor structure.
Carman (1990)	Modifications of SERVQUAL (using 12 to 21 of the original items in each case)	Principal axis factor analysis followed by oblique rotation	Five to nine factors were identified.
Brensinger and Lambert (1990)	All of original 22 items	Principal axis factor analysis followed by oblique rotation	A five-factor structure was found, but only four had eigenvalues > 1.
Finn and Lamb (1991)	All original 22 items	Confirmatory factor analysis	The five-factor structure has a poor fit. No other structures were analysed.
Babakus and Boller (1991)	All of original 22 items	Principal axis factor analysis followed by oblique rotation as well as confirmatory factor analysis (CFA)	The five-factor structure was not supported and no other structures were analysed. CFA resulted in a two-factor structure.
Pitt, Oosthuizen and Morris (1992)	All of original 22 items	Principal components factor analysis followed by promax rotation	The only study to obtain a five-factor structure. However, the factors were different from SERVQUAL with reliability and responsiveness loading on one factor.
Guiry, Hutchinson, and Weitz (1992)	51 items (15 from the original 22 items plus 36 added items)	Exploratory factor analysis	A seven-factor structure was found.
Cronin and Taylor (1992)	All of original 22 items	(1) Confirmatory factor analysis (CFA); (2) OBLIMIN oblique factor rotation	(1) CFA resulted in a undimensional factor; (2) The five-factor structure has a poor fit.
Bowers and Swan (1992)	Focus group	Qualitative methodologies	Identified the five original factors, plus four others.
Spreng and Singh (1993)	All of the original 22 items	Confirmatory factor analysis	The five-factor structure has a poor fit. Combining responsiveness and assurance into one factor did not significantly improve the fit.

Source: Dabholkar *et al.* 1996:05

Carman (1990:37) tested the generic qualities of the SERVQUAL instrument in three service settings: a tyre retailer, a business school placement centre and a dental school patient centre. Factor analysis identified between five to seven dimensions.

- ❑ Consumers' assessment of moments of truth may vary from one encounter to another. Many services are delivered over several moments of truth or encounters between staff and the customer. Carman (1990:43) found evidence that customers evaluate service quality by reference to multiple encounters.
- ❑ Two administrations of the questionnaire (one with perceptions and the other with expectations) causes boredom and confusion amongst respondents. Respondents are required to fill the SERVQUAL questionnaire on one sitting. Furthermore, it is impractical to expect customers to complete an expectations inventory prior to a service encounter and a perceptions inventory immediately afterwards. Carman's (1990:49) solution to the problem was to collect data on expectations and perceptions differences with a single question using one questionnaire. For example, "the visual appeal of ABC's physical facilities is (much better, better, about the same, worse and much worse) than I expected". Babakus and Boller (1992:265) also solved the problem by employing a single seven-point scale to collect gap data. Their scale ranges from seven (greatly exceeds my expectations) to one (greatly falls short of my expectations).

What is apparent is that the debate over how best to measure service quality is far from over. Notwithstanding all the criticism, SERVQUAL has made one contribution, albeit an important one, in the evolution of an understanding of service quality and its measurement (Robinson, 1999:32). SERVQUAL has undoubtedly had a major impact on business and the academic community. This review has shed some light and has identified a number of theoretical and operational issues which should concern users of the instrument. For reasons outlined above, this study makes use of a "perceptions only" scale.

5.5 SYNOPSIS

The work of several authors on the generic determinants of service quality was examined. A comparison of the factors identified by various authors reveals several common elements. Each model is useful in the appropriate context.

Gronroos's service quality model emphasised the functional and technical quality dimensions as interrelated dimensions. Thus technical quality can be thought of as a prerequisite for successful functional quality. The author has recognised the fact that corporate image should not be overlooked.

The 4 Qs model of Gummesson and Gronroos addressed some of the drawbacks of the original Gronroos model by introducing design, production, delivery and relational qualities. Haywood-Farmer's Service Quality Improvement model focussed on the three Ps, namely professional judgement, physical processes and peoples' behaviour in helping an organisation to place itself on the triangle of the model in order to take corrective action.

The Assessment model of Edvarsson and Gustavsson is aimed at assisting organisations, identifying the causes in quality problems and errors in service, by a systematic analysis of the target group, the service, the organisational culture and the co-service system.

The groundbreaking model of Parasuraman, Zeithaml and Berry analysed service quality in terms of five dimensions, namely, reliability, assurance, tangibles, empathy and responsiveness. The authors developed the SERVQUAL model, which was used to measure the gap between customers' expectations and perceptions of service quality. The level of service quality is determined by subtracting the perceived service score from the customers' expectation score.

Of note, with particular relevance to a retail setting which offers a mix of goods and services, Dabholkar *et al.* (1996:3-16) proposed their Retail Service Quality model incorporating five dimensions, namely, physical aspects, reliability, personal interaction, problem solving and policy.

Vasquez *et al.* (2001:1-14), noting the drawbacks of the SERVQUAL model, developed the CALSUPER model to measure service quality for supermarkets using four dimensions, namely, physical aspects, reliability, personal interaction and policies, with an eighteen item scale. Their model was tested using the perceptions-only scale and a direct measure of service quality.

Finally, some of the criticisms levelled against the groundbreaking SERVQUAL scale were examined.

In the chapter that follows, the methodology in the design of a supermarket model in a South African context is examined. The population, sampling frame and sampling procedures are explained. The statistical procedures used empirically to test the model, namely reliability and validity are also explored.

CHAPTER 6

RESEARCH METHODOLOGY

6.1 INTRODUCTION

This chapter provides details of the methodology employed in the design of the research. It focuses *inter alia* on the sample and sampling procedure, data collection methods, the research instrument, the procedure for the design and administration of the questionnaire and the various stages that were undertaken in the design of the proposed service quality perception model. Statistical techniques used in the study, namely, factor analysis, validity and reliability analysis are explained.

6.2 THE SAMPLING PROCEDURE

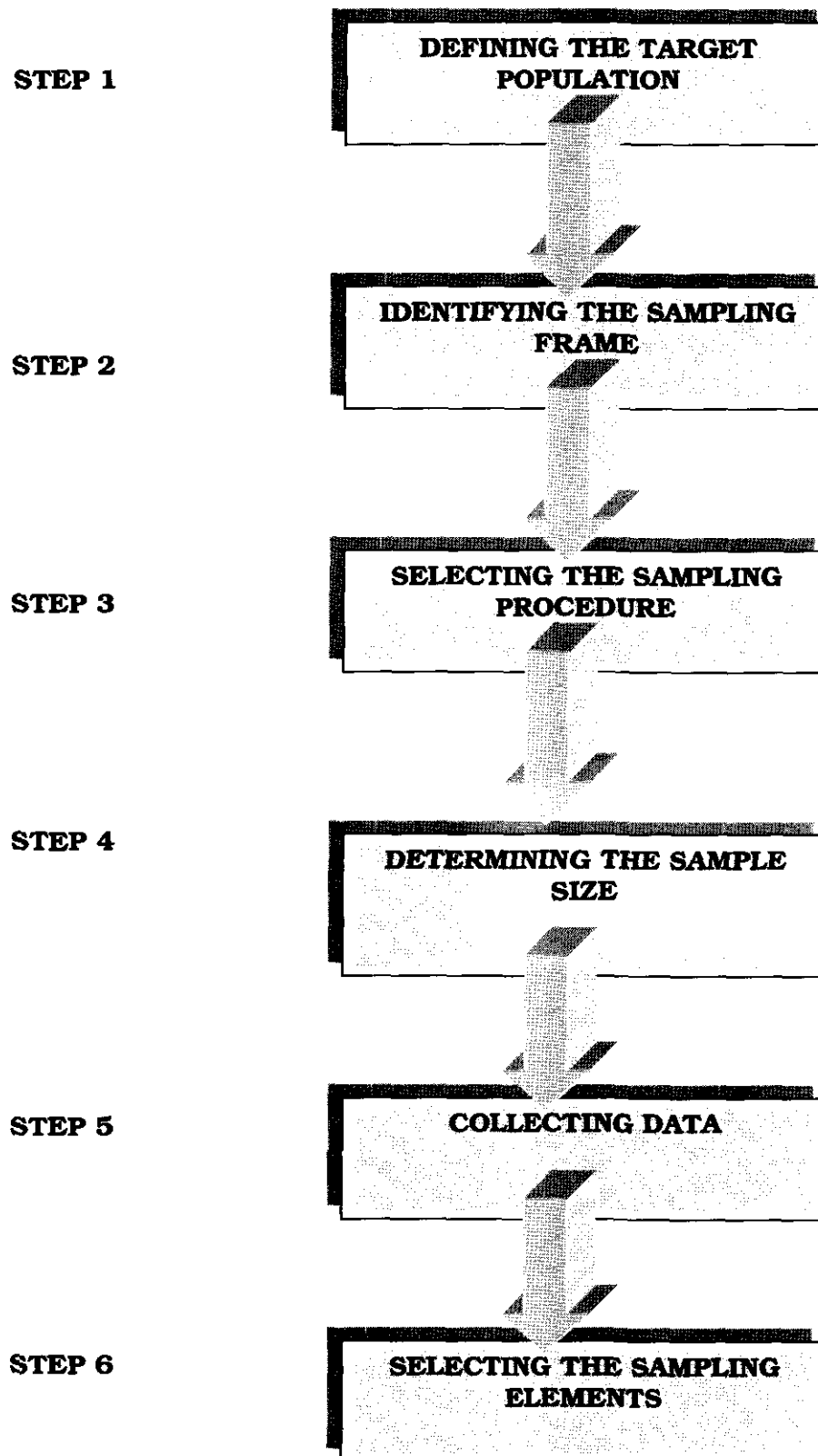
Churchill and Iacobucci (2002:449) outline a six-step procedure that researchers can follow when drawing a sample from a population. The steps are systematically reflected in figure 6.1.

6.2.1 Target population

The target population is a clearly defined group of entities that have some characteristics in common (Boyce, 2002:232). Often in research the population is defined by one or two behavioural characteristics. Hair *et al.* (2000:328) view a population as an identified group of elements that are of interest to the researcher and pertinent to infer something about the population. The researcher therefore has to be precise in specifying exactly what elements are of interest and what elements are to be excluded.

For the purpose of this study, the population comprises individuals, both male and female, eighteen years and over, who have shopped at the particular supermarket once or more often in the last two months.

FIGURE 6.1 SIX STEP PROCEDURE FOR DRAWING A SAMPLE



Source: Churchill and Iacobucci, 2002:449

6.2.2 Identification of the sample frame

After defining the target population, the researcher should assemble a list of all eligible sampling units, referred to as the sampling frame. Some common sources of sampling frames are lists of registered voters, customer lists or even a map. Hair *et al.* (2000:330) maintain that it is often very difficult to gain access to accurate or representative sampling frames. In such instances the researcher will have to employ alternative methods such as random-digit dialling (if conducting a telephone interview) or a location survey (for example supermarket intercept or mall intercept) in order to generate a sample of prospective respondents.

For the purpose of this study, since it was not possible to obtain a list of customers, the survey location (supermarket) was used to generate a sample of prospective respondents. Boyce (2002:238) also concurs that, depending upon the nature of the sample, it is often an appropriate method of generating the sample. However, care was taken to avoid the duplication of elements and it was free from foreign elements (*i.e.* respondents must have visited the store at least once in the past two months).

6.2.3 The sampling procedure

The nature of the research necessitated the use of a combination of convenience and judgement sampling (Parasuraman *et al.*, 1991:456; Naumann & Giel, 1995:201; Churchill, 2001:454; Meidan, 1996:53; Expinoza, 1999:453). Convenience sample allows a large number of respondents to be interviewed in a relatively short period of time, and for this reason is commonly used in construct and scale measurement development.

Care was taken to randomise the data collection with respect to the place and time of data collection. Attempts were made to collect the data at different times of the day. A completely random sample was difficult to obtain as some control had to be exercised due to the requirement that the respondent should have visited the supermarket at least once in the last two months.

6.2.4 The sample size and selection of sampling elements

Since the sample size formulas cannot appropriately be used for non-probability samples, the determination of the necessary sample size is usually a subjective, intuitive judgement made by the researcher, based on past studies or the amount of resources available (Zikmund, 2000:519).

Churchill (2001:521) also asserts that in non-probability sampling, one of the methods used by researchers is to determine the sample size used by similar studies in the past (i.e. the historical evidence approach). Boyce (2002:261) maintains that a sample of 300 in a shopping centre type of survey is considered by most researchers to be adequate where the topic being researched is of wide interest or general usage, that is, where virtually every respondent is relevant to the purpose of the study. This figure is consistent with Avkiran's (1994:12) observation that "minimum sample sizes for quantitative consumer surveys are in the order of 300 to 500 respondents".

Thus the conventional or historical evidence approach mentioned above was used to establish the sample size. The Table 6.1 on the next page reflects studies undertaken by researchers in the related field. Based on the studies and comments made by various researchers above, the minimum sample size was set at 300.

The data was collected over a three-week period in April 2003. Table 6.2 reflects data collected from the various supermarkets.

TABLE 6.1 STUDIES CONDUCTED IN THE RELATED FIELDS

TYPE OF STUDY	RESEARCHERS	SAMPLE SIZE	COUNTRY	YEAR
A measure of service quality for retail stores	Dabholkar, <i>et al.</i>	224	South-Eastern Asia	1996
Measuring Retail service quality (a replication study)	Boshoff and Terblanche	352	South Africa	1997
Relationship between store loyalty and store image	Bloemer, <i>et al.</i>	124	Switzerland	1998
Use of alternative scales for service quality in retailing	Metha, <i>et al.</i>	161	Singapore	2000
Service intangibility and service quality	Bebko	261	Mid-West State Universities (USA)	2000
Service quality in supermarket retailing; identifying critical service experiences	Vazquez, <i>et al.</i>	267	Spain	2001
The validation of generic service quality dimensions	Ekinci	308	Turkey	2001
A measure of retail service quality	Siu and Cheung	200	Hong Kong	2001
Measuring customer-perceived service quality for banks	Sureshchander, <i>et al.</i>	277	India	2002

Source: Dabholkar *et al.* (1996:09); Bebko (2000:14); Bloemer and Ruyter (1998:501); Metha *et al.* (2000:13); Siu and Cheung, (2001:90); Vasquez *et al.* (2001:6); Ekinci, (2001:6); Boshoff and Terblanche, (1997:125); Sureshchander *et al.* (2002:16).

**TABLE 6.2 SELECTION OF SAMPLING ELEMENTS FROM VARIOUS
SUPERMARKETS**

SUPERMARKETS	SAMPLE SIZE
STORE : A	198
STORE : B	201
STORE : C	208
TOTAL	607

6.2.5 Data collection method

The survey method was employed to obtain relevant data to evaluate the proposed model. Three stores belonging to a national chain were chosen for the purpose of the study. Data was gathered from personal interviews conducted at a well-known supermarket chain. The data was collected using face to face interviews at the supermarket, in a store intercept type situation. The survey method was chosen due to its ability to accommodate a large sample size at relatively low costs and its ease of administration (Zikmund, 2000:220). The particular chain of supermarkets was chosen because of the high service element involved and it was large enough to permit research of this nature. In addition, the researcher was given permission and support from the management to conduct the research project. The supermarket chain appeared amongst the top thirty companies in South Africa over a five-year period from 1998 to 2002.

6.3 THE RESEARCH INSTRUMENT

In this study, a questionnaire developed by the researcher was employed to measure customer perceptions of supermarket service quality. The instrument (refer Annexure L) consists of thirty-one items. In addition the questionnaire contained a statement on overall service quality, intentions to shop, intentions to recommend the supermarket to friends and complaints

about poor service. Demographic information was collected which included gender, marital status, age, and income levels. All statements employed a six-point Likert scale, as it provides a better normal spread of observations (Vasquez *et al.*, 2000:04).

The questionnaire made use of a perception-based measure of service quality in the light of the suggestions put forward by various researchers (Cronin & Taylor, 1992:55; Carman, 1990:46; Teas, 1993:33; Vasquez *et al.*, 2001:6; Dabholkar, *et al.*, 1996:3-16) that consumers evaluate service quality mainly on the perceptions. Boulding *et al.* (1993:9) have also rejected the relevancy of any expectations based measure, suggesting that service quality is influenced only by perceptions. The perceptions-based scale is aimed at measuring service quality exclusively in terms of perceptions, instead of measuring service quality through the perceptions minus expectations (gap) approach. Evidence also exists that the perceptions-based measures have a stronger predictive power than the gap score (Kim & Jin, 2002:225). Cronin and Taylor (1992:55-68) through research also found evidence that perceptions-based scales possess strong validity and reliability as measures of retail service quality. The perceptions-based scale was also used in order to eliminate boredom and confusion amongst respondents in filling in two questionnaires according to the SERVQUAL format, a criticism raised by various researchers (refer to Section 5.4).

6.3.1 The administration of the questionnaire

The questionnaires were administered at each of the stores. The rationale for such a data collection method is based on the theory that respondents will be more attentive to the task of completing the questionnaire and will provide meaningful responses when they are contextualised in the environment that they are evaluating (Dabholkar *et al.*, 1996:09). Furthermore, being in a relevant environment, consumers would be more likely to focus on issues important to them for evaluating the quality of service at the supermarket.

6.4 OVERVIEW OF THE MEASUREMENT PROCESS

In marketing research, measurement is viewed as an integrative process of determining the intensity or the amount of information needed about constructs, concepts or objects of interest and their relationship to a defined business problem or opportunity (Hair, *et al.*, 2000:371). The measurement process in this study consists of two different development processes: the construct development (dimensions) and the scale development (attributes or items that load on to the dimensions). Thus the aim of construct development is to identify and define what is to be measured, including any dimensionality traits. The goal of scale development on the other hand is how precisely to measure the constructs. In this study of service quality, it is therefore imperative to understand the various concepts underlining construct development and scale measurement.

Firstly, the term object refers to any tangible item in a person's environment that can be clearly identified through the senses (sight, smell, sound, touch and taste). Researchers thus do not measure the object directly but instead indirectly, *i.e.* measuring the elements that make up the object. Any object has objective properties, *i.e.* features that are used to identify it and distinguish it from another. An object also has subjective properties, which are abstract, intangible (for example, service quality) which cannot be directly observed or measured because they are mental images (aspects) a consumer attaches to an object such as attitudes, feelings, perceptions and expectations. These intangible, subjective properties are referred to as constructs. Thus in this study, service quality is a construct which cannot be measured directly, and requires consumers to translate these mental features into a scale of intensity using carefully designed questions and scales.

6.4.1 Construct development

Construct development can be viewed as an integrative process in which the researchers focus their efforts on identifying the subjective properties for which data should be collected for solving the defined research problem.

Since the aim of this study is to develop dimensions of service quality for supermarkets, it is appropriate to identify indirectly those attributes that are important to consumers.

Churchill (2001:107) points out that researchers have a variety of qualitative data collection methods (for example, focus groups, in-depth interviews) to develop preliminary insights into service quality. This study makes use of focus group interviews, and preliminary information arising from such interviews, as a guideline for collecting data from a more representative sample of customers.

Another important activity in construct development is that of assessing the validity of the construct, especially if the construct is believed to be multi-dimensional, as is the case in this study. Of importance, to note, is that the validity of a construct is actually an after the fact activity because the process requires the researcher to create a set of scale measurements for each of the constructs domain components, and then collect data on each of these dimensions. Thus the researcher needs to perform statistical analyses to test for content and discriminant validity. These concepts are discussed at length later in this chapter.

6.4.2 Scale measurement procedure

Various data types can be collected during the primary research phase. Hair *et al.* (2002:383) classify these types of data as: state-of-being data (verifiable facts), state-of-mind data (mental thoughts and emotional feelings), state-of-behaviour data (past and current feelings) and state-of-intentions data (planned future behaviour intentions). A discussion of the various types of data follows.

□ State-of-being data

When the problem under study requires the researcher to collect data relating to physical, demographic or socio-economic characteristics of consumers, these are referred to as verifiable facts or state-of-being data.

State-of-being data collected for this study took the form of demographic data such as age, income, sex, education level and marital status.

□ **State-of-mind data**

State-of-mind data represents the mental attributes or emotional feelings of consumers that cannot be directly observed or are available through external sources. These types of data exist only within the minds of consumers. To collect such data, the researcher has to ask consumers to respond to stated questions on a questionnaire. The state-of-mind data was collected through consumer perceptions, under the various dimensions, namely atmospherics, personal interaction, reliability and corporate image and policy.

□ **State-of-behaviour data**

State-of-behaviour data represents consumers' current actions or reactions or past actions or reactions. A researcher can obtain such data by employing carefully designed questions about current or past behaviour. In this study, state-of-behaviour data was collected through Section B of the questionnaire (question B4) on complaints about poor service.

□ **State-of-intentions data**

State-of-intentions data represents the consumer's expressed plans of future behaviour. State-of-intention data can be collected by requesting consumers to respond to carefully designed questions on planned future behaviour. The study made use of such questions to establish future buying behaviour and store patronage (Section B, of the questionnaire, questions B2 and B3).

6.4.3 Attitude scales used in the study

Researchers use several methods to measure customer attitudes. Scales normally used to measure attitude fall into three categories, namely, the

Likert scale, the semantic differential scale and the staple scale. This section elaborates on the Likert scale as it is used in the study.

The Likert scale (also known as the summated rating scale) asks respondents to indicate the extent to which they either agree or disagree with a series of mental beliefs or behavioural belief statements about a given construct (for example, service quality). Respondents select choices ranging from 'strongly agree' to 'strongly disagree'. The responses may be analysed individually or in total, *i.e.* summated. The researcher can thus calculate a respondent's overall attitude score by the summation of weighted values associated with the statements rated. Likert scales are relatively simple to construct and easy to administer.

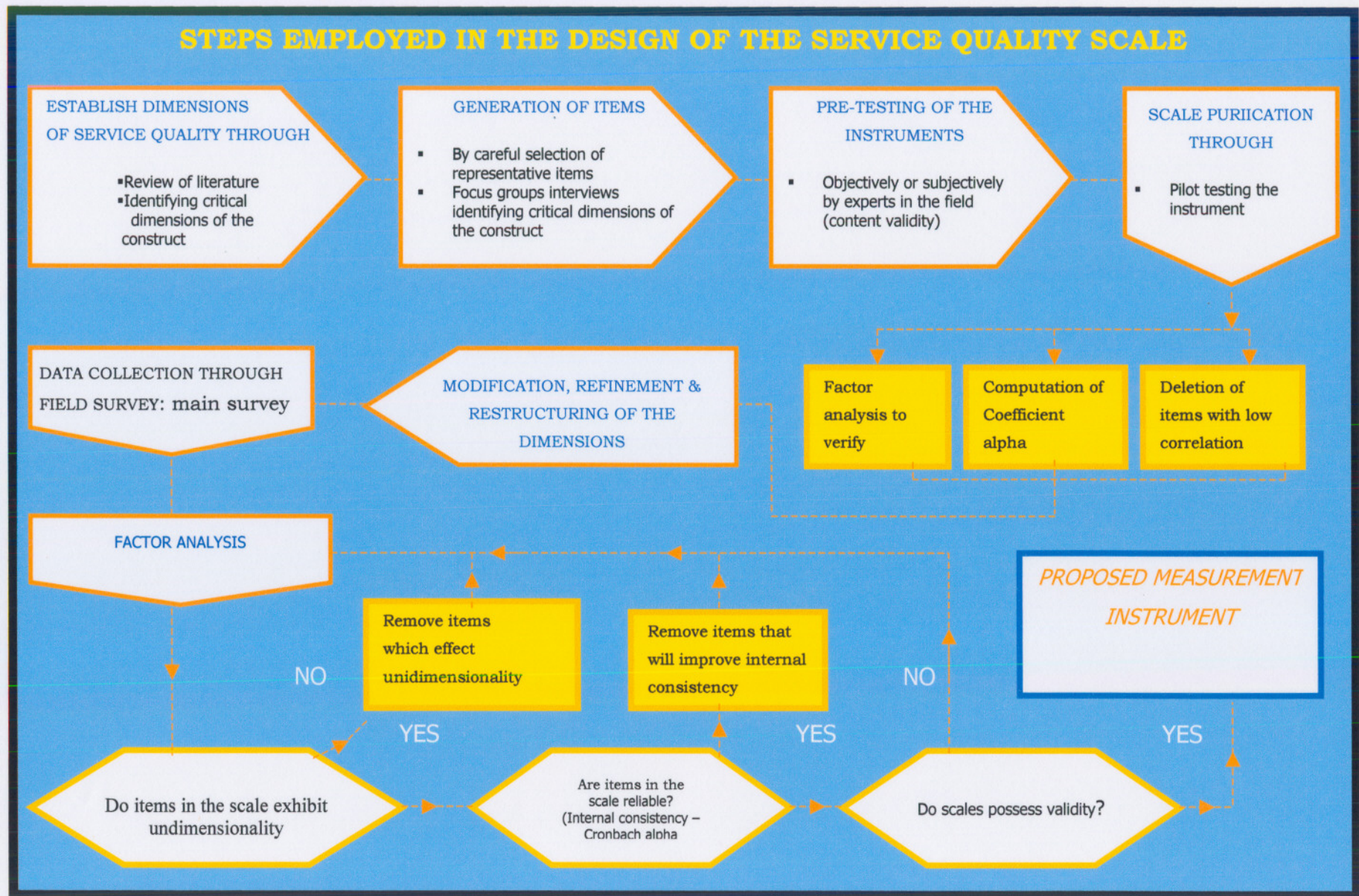
6.5 THE EMPIRICAL RESEARCH DESIGN

The general procedure used by various researchers (Churchill, 1979:64; Parasuraman *et al.*, 1988:14; Avkiran, 1994:12; Babber, 1992:43., Phillip & Stewart, 1999:170; Sureshchander *et al.*, 2002:24) served as a framework in developing the customer service quality instrument. The key ideas and steps outlined by these researchers are reflected in Figure 6.2.

6.5.1 Identification of service quality dimensions

In order to measure service quality in supermarkets, an essential starting point was to identify the dimensions of service quality that were used in previous research. According to Gronroos (1984:36-44) and Parasuraman *et al.* (1988:13-40) the dimensions are, for the most part, set within models. Service quality dimensions identified in Table 6.3 are the result of a substantial body of prior research and include the key dimensions of service quality. With the literature review, a matrix was prepared which outlines the configuration of service quality dimensions often cited in research and are a consolidation of the following studies: Parasuraman *et al.* (1988:12-35); Dabholkar *et al.* (1996:3-16); Siu *et al.* (2001:88-96); Vazquez *et al.* (2001:1-14), Metha *et al.* (2000: 62-72); Kim and Jin (2002:223-237).

FIGURE 6.2 STEPS EMPLOYED IN THE DESIGN OF THE SERVICE QUALITY SCALE



Source: Sureshchander *et al.* 2002:24. (adapted)

Those studies highlighted in Table 6.3 show the models that were used in stores that offer a combination of goods and services. Data collected from focus group interviews that were consistent with service quality literature (Chapters, three, four and five) were used to suggest dimensions of supermarket service quality. For example, customers mentioned courteousness of the service provider and the literature also supported this notion. It was included in the preliminary questionnaire as one of the attributes that needs to be measured. Initially, data was gathered along the following dimensions:

- ❑ Servicescapes (physical aspects/tangibles). These encompass the appearance of the physical facilities, the convenience offered by the layout, store brands and the appearance of front-line employees.
- ❑ Reliability. This dimension incorporates the availability of merchandise, solving customer problems, error-free sales, merchandise quality, handling of returns and exchanges, staff, in transacting with the store, safe customer parking and merchandise availability.
- ❑ Personal interaction. The dimension encapsulates staff qualities such as courtesy, helpfulness, friendliness, employee product knowledge and the manner in which customers are treated by employees.
- ❑ Policy. This dimension captures aspects of service quality that are directly influenced by store policy, for example, whether the store has convenient shopping hours and safe parking.
- ❑ Corporate image. Included in this dimension are aspects that build the corporate image of the store, for example, the store leading as a corporate citizen in ethical, environmental and health issues.

TABLE 6.3 MATRIX OF SERVICE QUALITY DIMENSIONS USED IN PREVIOUS STUDIES

Author(s)	Phy	Rel	Per	Prob	Pol	Resp	Prom	Con	Emp	Merch	Assur
Parasuraman <i>et al.</i> (1988)	X	X				X			X		X
Dabholkar <i>et al.</i> (1996)	X	X	X	X	X						
Sui <i>et al.</i> (2001)	X		X	X	X		X	X			
Vasquez <i>et al.</i> (2001)	X	X	X		X						
Metha <i>et al.</i> (2000)	X	X	X							X	
Kim and Jin (2002)	X	X	X								
KEY: <i>Phy</i> = Physical aspects <i>Rel</i> = Reliability <i>Per</i> = Personal interaction <i>Merch</i> = Merchandise <i>Assur</i> = Assurance <i>Prob</i> = Problem solving <i>Pol</i> = Policy <i>Resp</i> = Responsiveness <i>Prom</i> = Promises <i>Con</i> = Convenience <i>Emp</i> = Empathy											

SOURCE: Parasuraman *et al.* (1988:12-35); Dabholkar *et al.* (1996:29-51); Sui *et al.* (2000:88-96); Vasquez *et al.* (2001:1-14); Metha *et al.* (2000: 1-14); Kim and Jin (2002:220-237)

think of shopping experiences in supermarkets (both negative and positive incidents). This technique, referred to as Critical Incidence Technique (CIT), is essentially a classification method consisting of a set of procedures to capture important memories of past events (Bell, *et al.*, 1997:409). The Critical Incidence Technique is a tool used for establishing customer defined service quality and has been developed and documented extensively by Flannagen in 1954 (de Ruyter, *et al.*, 1999:1136). The Critical Incident Technique has been used extensively in service quality literature (Evardsson & Ross, 2001:252) and often used as a foundation for subsequent quantitative research. The principal strength of the Critical Incidence Technique is that customers' perceptions are used as a basis for identifying detailed information about a specific service. Hence the method can be used to identify broad dimensions of service quality. Consumers provide satisfying and dissatisfying service encounters they have experienced. By providing verbatim stories about satisfying and dissatisfying service encounter, they have experienced, customers reveal a great deal about what they desire in service encounters (Zeithaml & Bitner, 2000:117).

To facilitate the discussion, the researcher recorded the main ideas. In addition, each group discussion was tape-recorded. Following the discussions the tapes were transcribed. The responses were classified into positive and negative incidents. Content analysis was undertaken involving a systematic procedure of taking individual responses and categorising them into themes, attributes or phrases.

Table 6.4 provides the format of questioning used to facilitate the use of CIT in the focus group interviews.

TABLE 6.4 INSTRUCTIONAL QUESTIONS TO FACILITATE FOCUS GROUP INTERVIEWS USING THE CIT METHOD.

Think of a time when, as a customer, you had a particularly satisfying/dissatisfying interaction with a supermarket? ----- -----
What specific circumstances led to this situation? ----- -----
What exactly did the employee say or do? ----- -----
What resulted that made you feel the interaction was satisfying? ----- -----
What could or should have been done differently? ----- -----

Source: Zeithaml and Bitner, 2000:117 (adapted)

Some comments produced by the focus group members did not reflect service quality attributes and were discarded. The final output was then phrased into attributes/statements for inclusion in the questionnaire. Chapter Seven outlines paraphrases of the positive and negative critical incidents resulting from the focus group analysis.

6.5.3 Pre-testing of the questionnaire

Regardless of the experience and expertise of the designer of the questionnaire, pre-testing should be undertaken to ensure that the questionnaire communicates the information correctly and clearly to the respondent. Thus the goal of pre-testing was to affirm that the questionnaire

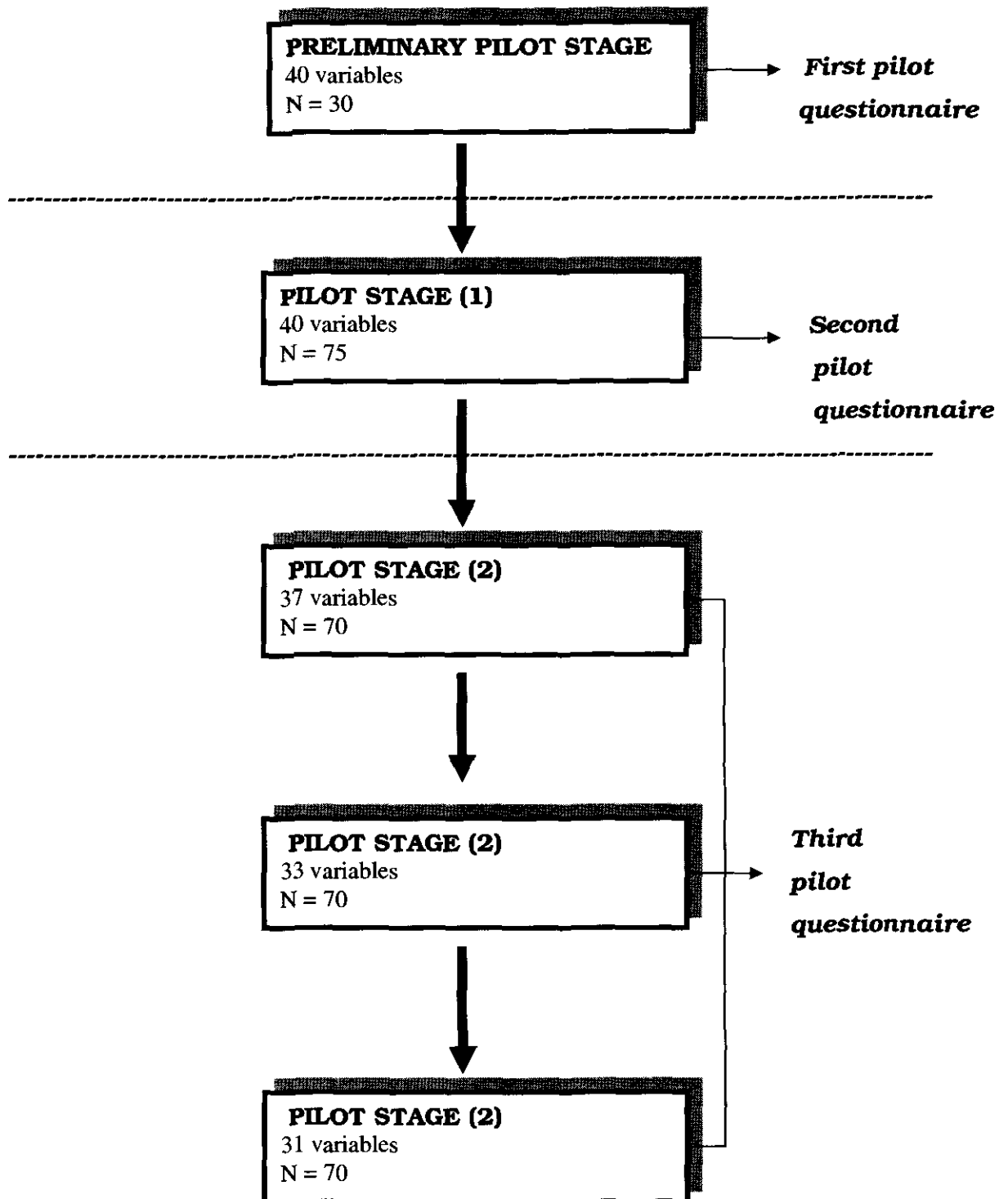
captures the information sought by the researcher. Arising out of the focus group interviews, literature review and discussion with the management of the chain store, the questionnaire was developed.

Pre-testing was undertaken by vetting the questionnaires with fellow researchers. Five lecturers involved in research were used to pre-test the questionnaires. This was then followed by a process of debriefing where the researcher asked the respondents to share their thoughts about the questions, their answers and any shortcomings of the questionnaire. The necessary adjustments regarding vagueness were made on the questionnaire. In addition the pilot questionnaire was carefully scrutinised by the customer services manager and the research department of the supermarket chain. Their comments and suggestions were taken into account in the refinement of the questionnaire.

6.5.4 Data collection and scale purification (pilot stages)

The study initially made use of pilot test questionnaires. Figure 6.3 outlines the pilot testing stages during the scale purification process. The questionnaire initially consisted of forty evaluative statements constructed on a five-point Likert scale with scale points ranging from strongly agree to strongly disagree. The questionnaire also contained opinion data (Section B) and classification data (Section C). At the preliminary pilot stage the primary purpose was to establish the appropriateness of the Likert scale format and the reliability of the scale. In the second and third pilot stages, the results were factor analysed in order to determine the dimensionality of scale. Items with factor loadings less than 0,30 were eliminated in the pilot stages. The objective at these stages was to determine whether the five dimensions did "factor out" as intended. Factors were extracted by using the mineigen criterion, which extracts factors with eigenvalues greater than one. In addition to factor analysis, coefficient alpha was computed separately for the dimensions to ascertain the extent to which items making up the dimensions shared a common core (Parasuraman, *et al.*, 1988:19). The results of the preliminary factor analysis and alpha coefficients are discussed in Chapter Seven.

FIGURE 6.3 PILOT TESTING AND SCALE PURIFICATION PROCESS



6.5.5 Data collection in the main survey

To evaluate further the thirty-one item scale with five dimensions derived from the initial factor analysis, data pertaining to service quality was collected from three stores of a national supermarket chain. A total of six hundred and seven questionnaires were completed. Again a six-point Likert scale was used. The major objective at this stage was to measure the robustness of the scale when used to measure service quality in three stores over a larger sample, and to determine further refinement and purification of the scale. Confirmatory factor analysis was conducted to establish whether the items in the scale exhibited strong unidimensionality. Items on the scale that affected unidimensionality were removed. Internal consistency was considered to establish scale reliability by computing reliability coefficients (Cronbach alpha). Certain items were removed in order to improve internal consistency. The data set was also subjected to the various types of reliability. After the above were considered the proposed measurement was established.

6.6 STATISTICAL ANALYSIS

The following statistical methods in the STATISTICA programme were used on the empirical data set.

- ❑ Reliability analysis
- ❑ Descriptive analysis
- ❑ Factor analysis (EFA and CFA)
- ❑ Structural equation modelling
- ❑ Multiple regression
- ❑ Pearson correlation co-efficient
- ❑ Analysis of variance (ANOVA)

6.7 RELIABILITY

Peter (1981:142) posits the view that theory and the nature of the construct not only specify what empirical relationships are worth investigating, but

also determine whether empirical results support or invalidate a measure. Churchill (1995:533) stresses the importance of considering reliability and validity in basic and applied research. Figure 6.4 depicts the various types of reliability and validity measures. Although the exhibit treats validity and reliability as being independent of each other, there is actually a one-way relationship between them. A scale must be reliable to be valid: it does not have to be valid to be reliable (Shao, 2002:249).

Nel, *et al.* (1997:114) are also of the view that reliability and validity are the two standard criteria for assessing the appropriateness of any measuring instrument.

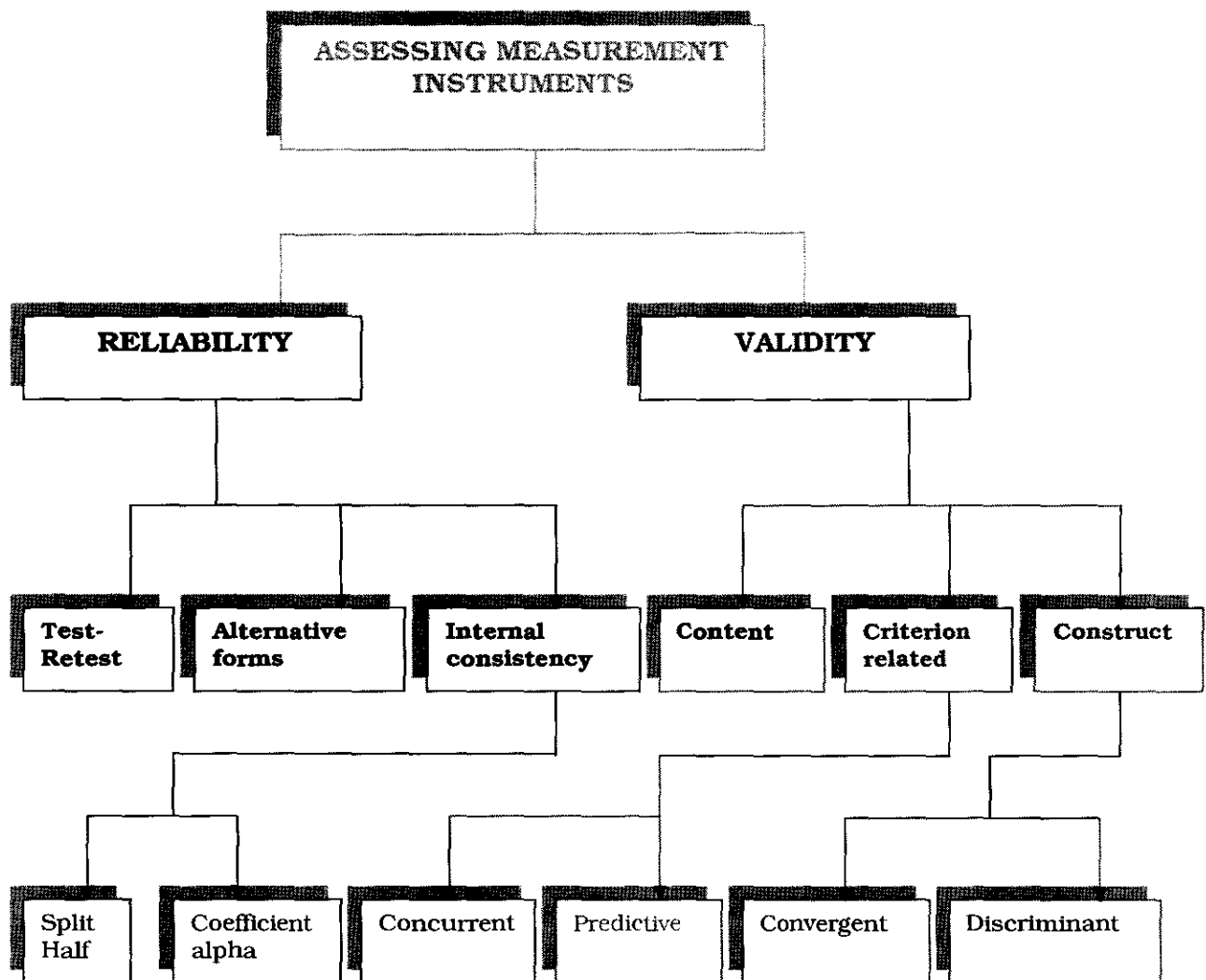
Reliability refers to the ability of the scale to produce consistent results if repeated measurements are undertaken. A good attitude scale must be both valid and reliable. Bless and Hogson-Smith (1995:129) define reliability as the "extent to which the empirical measures that represent a theoretical concept are accurate and stable when used for the study of the concept in several studies". There are three major ways to assess reliability: test-retest, alternative forms and internal consistency (refer to Figure 6.4).

6.7.1 Test-retest reliability

This technique involves repeating the administration of the scale either to the same sample of respondents at two different times, or two different samples of respondents from the same defined target population under the same conditions, as far as it is possible (Hair, 2002:396). The idea behind this approach is simply that if random variations are present in scores they will be revealed by variation in scores between the two sampled measurements. The more the variation, the lower the reliability. Likewise, the smaller the difference between scores, the higher the reliability. Few potential problems are encountered in the use of this approach. This approach is subject to time constraints, *i.e.* the greater the time interval between the first and the second test, the less reliable the scale. A rule of thumb, however, is to allow an interval of about two to four weeks between

measurements. Attitudes which are often viewed as being deep-rooted, are unlikely to change during such a short interval (Parasuraman, 1991:443). Secondly, it is often very difficult to persuade the original respondents to take a test the second time. Thirdly, there is also the problem of carry-over effect (halo effect) from the first measure. The respondents' second response may be influenced by the first.

FIGURE 6.4 TYPES OF RELIABILITY AND VALIDITY



Source: Shao, 2002:249

Some researchers believe that the problems associated with the test-retest reliability technique can be avoided by using the equivalent form technique (Webb, 2002:151; Hair, *et al.*, 2002:397).

6.7.2 Alternative-forms reliability technique

This test initially involves two “equivalent” scales to obtain consistent results. The two scales should be perceived by respondents as different, but measuring the same construct. To carry out this test, researchers administer one scale to respondents and approximately two weeks later administer the second equivalent scale to the same respondents.

Problems encountered with the alternative form reliability test include the cost, time, personnel required in conducting equivalent forms of the measure and the difficulty of developing two versions of the measure, which are exactly equivalent.

6.7.3 Internal consistency tests

When investigating multidimensional constructs such as service quality, summated scales (Likert scale) according to Hair *et al.* (2002:397) tend to be the most appropriate. An entire scale and not just one component of a scale measure construct. Internal consistency would refer to the degree to which the various dimensions of a multidimensional construct correlate with the scale. Two popular techniques are used to test internal consistency: **split-half test** and coefficient alpha. In a split-half test, the items in a scale are divided into halves (odd versus even attributes or randomly) and their degree of correlation is then examined. The higher the correlation, the more reliable the measure, because high correlations indicate that items are associated in some way and there is good internal consistency. Although the split-half technique is easy to administer, the results are highly dependent on how the halves are split (Webb, 2002:244). To overcome the problem encountered with this technique, researchers commonly use a second approach, **coefficient alpha** (Cronbach alpha). Coefficient alpha is a technique for

judging internal consistency of a measurement instrument by averaging all the possible ways of splitting test items and then examining the degree of correlation. Coefficient alpha is a measure of squared correlation between observed scores and true scores. The theory behind this measure is that the observed score is equal to the true score plus the measurement error ($Y = T + E$). Since summated scales are used in this study, with an assembly of interrelated items designed to measure a construct (service quality), it is very important to know whether the same set of items would illicit the same responses if the same questions are re-administered to the same respondents. Variables derived from these test instruments are declared to be reliable only when they provide reliable and stable responses over repeated administration of the tests.

The coefficient values can range from 0 to 1 and in most cases a value of 0,60 or less indicates low internal consistency. Thus an instrument with no reliability will score 0 or close to 0 and an instrument with high reliability will score close to 1. In this study, coefficient alpha was used to assess the reliability of the measurement scale. If the alpha value is low, what should the analyst do? If the item pool is sufficiently large, this outcome suggests that some items do not share equally in the common core and should be eliminated (Churchill & Iacobucci, (2002:418). The easiest way to establish whether the items do correlate is to calculate the correlation of each item with the total score. Items with correlations near zero should be eliminated. For example, if the construct has five dimensions (factors), coefficient alpha should be calculated for each dimension.

Churchill (1995:538) favours the use of coefficient alpha in assessing the reliability of marketing constructs. Of all the methods discussed above, the internal consistency method required only one administration and consequently is supposed to be the most effective, especially in field studies (Sureshchander *et al.*, 2002:17).

6.8 VALIDITY

Validity is the degree to which a test measures what it is supposed to measure. It is the extent to which the scale fully captures all aspects of the construct to be measured (Parasuraman 1991:441). Several techniques are used to assess the validity of a measuring instrument: construct validity, criterion related validity, construct validity, convergent validity and discriminant validity.

6.8.1 Content validity

Content validity, also known as face validity, represents the extent to which the content of a measurement scale seems to tap all relevant facets of an issue that can influence respondents' attitudes. One way to judge the validity of a scale is to request professionals or experts on the test topic to assess the scale (Shao, 2002:245). Scales that pass this test are said to have content validity. This test of validity is highly subjective, because the personal experiences and beliefs of the experts inevitably come into play. Content validity is sometimes referred to as face validity because it is accessed by examining the measure with an 'eye' towards ascertaining the domain that is sampled. It is therefore evident that content validity is a matter of judgement. The collection of items in the preliminary stages should therefore be large enough so that after scale refinement the measure still contains enough items adequately to sample each of the variables' domains.

6.8.2 Criterion-related validity

Criterion-related validity is the ability of the scale to perform as predicted in relation to a specified criterion. There are two types of criterion-related validity: concurrent and predictive validity. **Concurrent validity** evaluates how the results from one scale correspond with the results from another, when the scale measures the same phenomenon at the same point in time. It is usually determined by the correlation between the two measures. Thus if the correlation is high, the measures are said to have concurrent validity

(Churchill *et al.* 2002:408). Usually the researcher needs to establish the degree of relationship in the form of a correlation coefficient, between the scores of the measuring instrument and the criterion variable (*i.e.* the relationship between the dependent and independent variable). In this study, additional questions were added into the questionnaire (Section C of the questionnaire) as the dependent variables. **Predictive validity** on the other hand is the ability of the scale to predict a future occurrence or phenomenon. As the name implies, predictive validity deals with the question, "How well does the attitude measure provided by the scale predict some other variable or characteristic, it is supposed to influence" (Parasuraman, 1991:443). What differentiates this form of validity is the time period when the tests are administered. Concurrent validity examines how well two variables measured at the same time correlate. Predictive validity examines how well one variable predicts the occurrence of an event in the future (the second variable). In this study (Section C of the questionnaire) included a question on future consumption and store patronage to assess the predictive validity of the scale.

6.8.3 Construct validity

Constructs are highly abstract and unobservable concepts. Due to its intangibility and abstract nature, service quality for example, has to be measured in indirect ways as there is no direct measure to measure the concept. Therefore the observable phenomenon that theoretically demonstrates the presence of the construct has to be measured. Construct validity thus attempts to assess how well ideas or theories are translated into real measures. For example, in this study, theory suggests that the amount of repeat business (an observable phenomenon) reflects service quality, the scale will have construct validity if we can show repeat business demonstrates service quality. If the theory is wrong and there is no association between repeat business and service quality, then the scale would lack construct validity. When construct validity is not found, it may be due either to the lack of construct validity or a flaw in the theory. To avoid such problems, researchers attempt to establish the construct validity of a

measure by relating it to many constructs, rather than just one. It is therefore assessed by computing correlations with measures of other constructs that one would expect to be strongly associated with the attitude, and measures of constructs that one would not expect to be closely tied to the attitude. Construct validity exists if both convergent and discriminant validity are present. **Convergent validity** is the ability of a scale to correlate with other scales that purport to measure the same concept. The logic being that two or more measurements of the same concept using different scales should highly agree. Convergent validity analysis therefore pertains to the extent to which scale items assumed to represent a construct do in fact "converge" on the same construct. **Discriminant validity** on the other hand is the opposite of convergent validity. Discriminant validity is the lack of correlation with other scales that purport to measure different concepts. In other words, the results of the two scales measuring unrelated concepts should display no correlation. If the correlations are too high, this suggests that the measure is not actually capturing a distinct or isolated trait. A measure to have discriminant validity should show low correlation between the measure of interest and the other measures that are supposedly not measuring the same variable. Table 6.5 outlines the reliability and validity measures used in this study and the techniques used to assess such measures.

6.9 FACTOR ANALYSIS

Factor analysis is a multivariate statistical technique that is used to summarise information contained in a large number of variables into a smaller number of subsets or factors. The purpose of factor analysis is to simplify the data and detect structure in the relationship between variables. With factor analysis there is no distinction between dependent and independent variables, rather, all variables under investigation are analysed together to identify underlying variables (Hair *et al.*, 2002:601). A discussion of some of the pertinent aspects of factor analyses follows.

6.9.1 Factor loading

The starting point in interpreting factors analysis is factor loading. Factor loading refers to the correlation between each variable and the newly developed factor. Factor loading, like correlations, can vary from +1,0 to -1,0. A factor is identified by an item that has a relatively high factor loading on one factor, and a relatively low loading on other factor. Those data variables with a high factor loading are considered to be “like” the factor in some sense, and those with zero or near zero loading are treated as being “not like” the factor.

A fairly commonly used cut off level for orthogonal factor loading is 0.30 *i.e.* no variable with a factor loading below 0.30 is listed amongst those data variables defining the factor (Comrey & Lee, 1992:241). A squared value $(0.30)^2$ gives a value of 0.09 which indicates that the data variable correlating with the factor less than 0.30 has less than 10% of its variance in common with others. The other 90% and more lies elsewhere in another factor.

6.9.2 How many factors to retain

Deciding the number of factors to retain is a complex process because there can be more than one possible solution to any factor analysis problem. An important measure to consider in deciding how many factors to retain is the percentage of variation explained by each factor. A factor analysis computer program can produce a table of numbers that will give the percentage of variation explained by each factor. Many researchers stop factoring when additional factors no longer make sense, because of its very low percentage of variance (Hair *et al.*, 2002:604).

A number of rules have been advanced for deciding how many factors to retain for factor analytic solutions. The two most popular methods, according to Churchill and Iacobucci (2002:804), are the latent roots criterion and the scree plot.

The **latent roots criterion** holds that the amount of variation explained by each factor must be greater than one (1). Thus factors with **eigenvalues** greater than one are retained. This is the more widely used method. Eigenvalues are the sum of squares loading for variables on a factor. There are as many eigenvalues as there are rows and columns in a matrix. Eigenvalues can be considered as a measure of strength of an axis. However all computer programs either compute the eigenvalues, the variance explained, or both.

The **scree plot test** is a graphic method which plots the eigenvalues in a simple line plot. The last factor that is considered for inclusion is the point before the scree begins. This is the point where the eigenvalues begin to level off to the right of the plot.

6.9.3 Communalities

The proportion of variance of a particular item that is due to common factors (shared with other factors) is referred to as communalities. A relatively high communality indicates that a variable has much in common with other variables taken as a group.

6.9.4 Principal factor analysis and principal component analysis

In principal component analysis, it is assumed that all variability in an item should be used in the analysis, while in principal factor analysis the variability in an item that it has in common with other items is used. In most cases the two methods usually yield very similar results. However, principal component analysis are often preferred as a method for data reduction, while principal factor analysis is often used when the goal of the study is to detect structure. Principal component analysis identifies factors based on the correlation matrix of variables and forms a number of factors that effectively summarise the interrelationships amongst the variables. A

number of variables are thus obtained that can be used in subsequent stages of analysis (Douglas & Craig, 1993:263).

6.9.5 Factor rotation

Rotation involves moving the components or axes to improve the “cleanness” or fit of the solution. This will not change the total variance explained by the retained factors but shift the relative percentages explained by each factor (Tull & Hawkins, 1993:697). The goal of rotation is to obtain a clear pattern of loading that is clearly marked by high loading by some variables and low loading for others. The most common rotational and preferred strategy used is the varimax or orthogonal rotation, as it is a robust and a simple procedure that enhances the interpretability of the factors (Churchill & Iacobucci, 2002:809).

6.9.6 Naming of factors

The naming of factors is a subjective process and one should always examine the variables that load highly on a factor rather than relying on the name provided by someone else (Tull & Hawkins, 1993:697). In order to name the factors it important to examine which variables load with which factors. Churchill and Iacobucci (2002:810) outline the following useful process for this purpose.

- Begin with the first variable and first factor in the rotated factor-loading matrix and move horizontally from left to right, isolating the highest loading. Circle the loading. Repeat the procedure for each of the other variables.
- Examine each of the circled loadings and assess its significance. The significance of any loading can be judged either statistically or usually by use of a practical criterion. Statistical criteria mean that the loading is statistically significant at some specified alpha level, typically 0,05. The practical significance criteria mean that the factor should account

for a certain percentage of the variation in the variable. Typically a cut-off for a loading to be significant is in the region of 0,30.

- Underline the other significant loading using the criteria decided on above.
- Examine the loading matrix and identify all the variables that do not have significant loadings on any factor. If the variable is of minor importance and with a low factor loading, the researcher may decide to eliminate the variable and derive a new factor solution with the non-loading variable eliminated.
- Focus on the significant loading and attempt to name the factors on the basis of what the variables' loading on a given factor have in common.

6.10 CORRELATION ANALYSIS

Correlation analysis refers to a statistical technique used for measuring the closeness of a relationship between two or among more variables. Relationship between variables can be described in several ways, including presence, direction, strength of association and type. The first issue is whether two or more variables are related at all. A high degree of correlation does not necessarily indicate and cause and effect relationship between variables. Two variables can be highly correlated, yet the relationship may have no meaning. Thus, correlation analysis conclusions must be based on logical reasoning and intelligent investigations and not just on mathematical results (Shao, 2002:492).

If a relationship is present between two variables, it is important to know the direction of the relationship. The direction of a relationship can either be positive or negative. An analysis of the strength of the relationship is also important. The strength of a relationship is generally categorised as non-existent, weak, moderate or strong (Hair *et al.*, 2002:562). If a consistent and systematic relationship is not present, then the strength of an association is

non-existent. A weak association means that there is a low probability of the variables having a relationship. A strong association means that there is a high probability of a consistent and systematic relationship.

The fourth concept that is important to understand is the type of the relationship. There are a number of ways in which two variables can share a relationship. For example, two variables (X and Y) can have a linear relationship, which means that the strength and nature of relationship between the two variables remains the same and can be described using a straight line. Conversely, two variables (X and Y) could have a curve-linear relationship, which means that the strength of the relationship or the directions of their relationship changes over the range of both variables.

One way to describe the relationship between two variables is with the use of a scatter diagram. When two related variables, called bivariate analysis are plotted on a graph, the graph is called a scatter diagram. Each point on the diagram represents a pair of values, one based on values on the X-axis (independent variable) and the other based on values of the Y-axis (dependent variable). Thus in exploring the relationship between two variables, scatter diagrams become the initial step. The scatter diagram also indicates whether the relationship between the two variables is positive or negative. Whilst a picture is worth a thousand words, as in the case of a scatter diagram, it is often useful to measure correlation analysis through the use of quantitative methods.

The **Pearson correlation coefficient** measures the degree of linear association between two variables. The values range between -1,00 or +1,00 with 0 representing absolutely no association between the variables and -1,00 or +1,00 representing a perfect link between two variables. The higher the correlation coefficient the stronger the level of association between variables. The correlation coefficient can be either positive or negative, depending upon the direction of the relationship between the two variables (Churchill & Iacobucci, 2002:735).

A null hypothesis for the Pearson correlation will therefore state that there is no association between the two variables in the population and that the correlation coefficient is zero.

According to Hair *et al.* (2002:568), many authors have suggested some rule of thumb for characterising the strength of the association between the two variables based on the size of the correlation coefficient. Table 6.6 suggests that correlation coefficient between $\pm 0,81$ and $+1,00$ are considered very strong. On the other extreme, if the correlation coefficient is between $+0,00$ and $+ 0,20$ there is a good chance that the null hypothesis could be rejected. The Table below outlines the range and strength of correlation coefficients.

**TABLE 6.5 RULE OF THUMB ON STRENGTHS OF CORRELATION
COEFFICIENTS**

Range of coefficients	Description of strength
$\pm 0,80$ to $1,00$	Very strong
$\pm 0,61$ to $\pm 0,80$	Strong
$\pm 0,40$ to $\pm 0,60$	Moderate
$\pm 0,21$ to $\pm 0,40$	Weak
$\pm 0,00$ to $\pm 0,20$	None

Source: Hair *et al.* 2002:568

6.11 REGRESSION ANALYSIS

The discussion above is based on correlation, a method of determining the existence of a relationship between two variables. There are instances however to examine the relationship between variables in more detail. A method of arriving at more detailed analysis is through regression analysis.

Regression analysis is a statistical technique used for measuring the linear or curve-linear relationships between the dependent variable and one or

more independent variables. The relationship between two variables is characterised by how they vary together (Shao, 2002:486). Regression analysis requires two operations. Firstly, deriving an equation called the regression equation and a line representing the equation to describe the shape of the relationship between the variables. A regression line is a line drawn through a scatter diagram that best fits the data points and most accurately describes the relationship between the two variables. The equation and the line may be linear or curve-linear. Secondly, estimating the dependent variable (Y) from the independent variable (X) based on the relationship described by the regression equation.

In many marketing situations there may be several independent variables that may have to be examined for their influence on a dependent variable. Multiple regression analysis is an appropriate technique to use in these situations. **Multiple regression analysis** is an extension of the simple regression analysis. Multiple regression equations are entered into the regression equation and for each variable a separate regression coefficient is calculated that describes its relationship with the dependent variable. In multiple regression analysis a data matrix is available which is used to determine the inter-correlations amongst predictor variables and also correlation of the predictors with one or more criterion variables (Comrey & Lee, 1992:247). Multiple regression analysis for this study was computed using STATISTICA computer software. Multiple regression analysis was used to examine the relationship between the dimensions of service quality, overall service quality and future consumption behaviour.

6.12 SYNOPSIS

In this chapter the research methodology applied, namely, the sampling procedure, the research instrument and the measurement process were reviewed. The research design outlines the various steps that were undertaken in the development of the service quality scale. Measurement reliability and validity are also highlighted. To be useful, attitude scales should satisfy two criteria: reliability and validity. Reliability focuses on the

consistency or stability of scores generated by a scale, whilst validity refers to whether a scale truly and fully measures an attitude. The procedure in the utilization of factor analysis as a data reduction method was explored.

The sampling procedure resulted in a total of 855 consumers being approached for the final sample. There were a total of 230 consumers (29%) who declined to participate in the interviews citing various reasons. A total of 18 questionnaires were discarded as they were either incorrectly completed or incomplete which calculates to a 71 % filtered response rate. Martins *et al.* (1999:129) states that refusals in a mall intercept type of survey are in the region of 10-30 %.

The data was captured using STATISTICA software programme and subsequently prepared for analysis. From here the study advances towards the data analysis stage, which is discussed in Chapter Seven.

CHAPTER

7

ANALYSIS AND INTERPRETATION OF EMPIRICAL FINDINGS

7.1 INTRODUCTION

The objective of this chapter is to report on and discuss the empirical findings of the study. A summary of the results of the preliminary focus group interviews will be discussed. Thereafter the results of the pilot tests will be explained, followed by the explanation of the main survey results. In the main survey, the data was analysed using multivariate statistical methods. A multivariate statistical method, namely factor analysis, is widely used for such a type of study.

7.2 PRELIMINARY DATA ANALYSIS OF THE FOCUS GROUP INTERVIEWS

In order to obtain a fairly accurate measure of service quality, a useful starting point, prior to the actual design of the questionnaire, was to commence by asking customers what their main requirements are in terms of service quality (Nigel, 1999:11). According to Vazquez *et al.* (2001:3), a preliminary qualitative study enables the researcher to familiarize himself both with the problem and a useful method for compiling a questionnaire aimed at analysing service quality.

Since the exploratory research was not statistically valid, it was not necessary to use any complicated sampling technique to select the sample. Judgement sampling was therefore used to ensure a "good mix" of consumers who had shopped at supermarkets.

The focus group interview was a preliminary data gathering mechanism used in order to generate items for the pilot questionnaire. Detail of the focus group interview is spelt out in Chapter Six. The critical incidence technique

utilised in the focus group interviews provided rich information regarding customers' experiences with supermarkets. Some of the incidents were more than thirty words, while the rest were short comments on certain aspects of service quality. Each anecdote was numbered and summarised into a list of key words and phrases (paraphrased), which encapsulated the customers' experience of the service (see Annexure A). The perceptions were then classified into satisfiers and dissatisfiers (positive and negative critical incidents). A total of ninety-three incidents were analysed.

The composition in terms of gender is analysed below.

TABLE 7.1 SAMPLE CHARACTERISTICS IN TERMS OF GENDER

GENDER	NO	%
Male	41	47
Female	47	53
TOTAL	88	100

At this stage of the study it was not necessary to classify the perceptions into dimensions as this was an exploratory study and, furthermore, the information gathered was for the purpose of generating appropriate questions for the pilot questionnaire. Factor analysis in the subsequent stages was used to establish dimensionality.

The summaries of the paraphrases were then given to two independent researchers in marketing in order to evaluate the appropriateness of the paraphrases against the original anecdotes. Table 7.2 below outlines the positive and negative incidents analysed from the original anecdotes. Some of the anecdotes were combined as in essence they captured the same attribute.

TABLE 7.2 PARAPHRASES OF POSITIVE AND NEGATIVE INCIDENTS

PARAPHRASES	POSITIVE	NEGATIVE
Hygienic store practices	✓	✓
Customer complaints handling	✓	✓
Long queues at cashiers	✓	
Avenues for suggestions and comments	✓	✓
Staff courtesy	✓	✓
Uneasiness when transacting with the store	✓	
Staff friendliness	✓	✓
Staff training	✓	
Customer empathy	✓	✓
Customisation of services	✓	✓
Adequate till-packers	✓	
Safe customer parking		✓
Consumers' ease of movement within the store		✓
ATM access	✓	✓
Availability of merchandise		✓
Store signage	✓	
Freshness of quality	✓	✓
Merchandise compatibility at till packers		✓
Staff product knowledge		✓
Store odour	✓	
Price labelling	✓	
Customer complaints handling	✓	✓
Error-free sales	✓	
Merchandise assortment and arrangement		✓
Arrogant parking attendants		✓
Staff dress	✓	✓
Returns and exchanges	✓	✓
Time saving technology	✓	✓

These paraphrases were modified and incorporated during the design of the questionnaire.

7.3 PILOT TESTING OF THE QUESTIONNAIRE

A total of 40 representative items were developed and generated from the qualitative phase. Table 7.3 outlines the procedure adopted in the data collection and scale purification processes at the various pilot stages. The stages outlined are:

- The preliminary pilot stage,
- Pilot stage (phase one), and

- Pilot stage (phase two). In pilot stage two, the survey instrument was scale purified in three stages. A new sample was utilised in this stage to establish the appropriateness of the modified six-point Likert scale which included a neutral point and an alternative at the end of the scale, indicating “not applicable”.

7.3.1 Preliminary pilot stage

The purpose of initially pilot testing the questionnaires was to examine their reliability. Thirty questionnaires were used in the initial pilot study. The reliability of the service quality construct was obtained by computing the Cronbach-alpha coefficient for the overall scale.

The results obtained (refer to Annexure D) give a satisfactory indication of reliability. The five-point scale returned a Cronbach alpha reliability value of 0.931. The reliability exceeded the suggested level of 0.70 (Nunnally, 1978:245). However an observed phenomenon in the five-point Likert scale revealed that a large number of respondents (32% - see Annexure D) made an overuse of the neutral point on the scale. In view of the above, the pilot questionnaire in subsequent stages was changed.

Table 7.3 reflects data collection and the scale purification processes in the pilot stages.

TABLE 7.3 DATA COLLECTION STAGES AND THE SCALE PURIFICATION PROCESSES IN THE PILOT PHASE

PROCEDURE	NO OF ITEMS	NO. OF FACTORS	SAMPLE SIZE	DELETED ITEMS	PURPOSE/ANALYTICAL TOOLS EMPLOYED
Preliminary pilot stage	40	5	30	-	To establish appropriateness of the five-point Likert scale format including a neutral point; Cronbach alpha; item-to-total correlation.
Pilot phase (1)	40	5	75	3	To establish appropriateness of a five-point Likert scale format, excluding a neutral point Cronbach alpha; item-to-total correlation; eigenvalue extraction; scree plot; factor analysis.
Pilot phase (2)	37	5	70	4	To establish appropriateness of a modified six-point Likert scale format, including an alternative, "not applicable"; Cronbach alpha; item-to-total correlation; eigenvalue extraction; factor analysis.
Pilot phase (2)	33	5	70	3	Cronbach alpha; item-to-total correlation; eigenvalue extraction; factor analysis
Pilot phase (2)	31	5	70	-	Cronbach alpha; item-to-total correlation; eigenvalue extraction; factor analysis

7.3.2 Reliability and Factor analysis at the pilot stage: Phase one

A total of forty representative items extracted during the qualitative phase were administered to seventy-five supermarket consumers. These forty variables were transformed into a five-point Likert scale where strongly agree =1 and strongly disagree = 4. The neutral point was removed and replaced with "not applicable" at the end of the scale in order to avoid excessive use of neutral mid-point responses. In assessing the quality scale, coefficient alpha was first computed for the scale. The standardised alpha for the scale was recorded at 0.870079 (refer to Annexure E) exceeding the suggested level of 0.70 (Nunnally, 1978). However, the Cronbach alpha value dropped from the previous stage.

At this stage it was necessary to examine the dimensionality of the scale through factor analysis. Prior to factor analysis it was necessary to ensure that the data matrix has sufficient correlations to justify the application of factor analysis. If visual inspection of the item to item correlation matrix reveals no substantial correlation, then factor analysis is inappropriate. On a more specific guideline, Clark and Watson (1995:316) recommend that the average item to item correlation should fall in the range of 0.15 to 0.50. On examining the item to item correlation (refer Annexure F), it is revealed that a substantial number of correlations fall within the range, indicating the existence of common factors, thus justifying the application of factor analysis.

Initially, un-rotated principal axis factor analysis was performed on the forty service quality variables to assess the inter-correlation amongst the scale components. However the un-rotated factor matrix was difficult to interpret owing to the majority of the variables loading onto factor one. The final statistic showed that 44% of the variance was explained by the five factors. The factor analysis matrix was rotated orthogonally (using Varimax rotation). From Table 7.4 it can be seen that this resulted in an easy-to-interpret matrix, where variables loading 0.30 or above were retained. Churchill and Iacobucci (2002:809) views that with sample sizes of one hundred and less, loading of greater than 0.30 are appropriate. Comree and Lee (1992:241) and Kline (1994:180) are also of the view that a sensible guideline is to accept 0.30 as a salient loading.

TABLE 7. 4 ROTATED FACTOR LOADING MATRIX: PHASE ONE
(40 variables)*

VARIABLE	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5
V01	0.502624				
V02	0.705023				
V03	0.516456				
V04	0.598999				
V10	0.529249				
V12	0.607946				
V15	0.531902				
V29	0.428872				
V35	0.599308				
V37	0.300528				
V06		0.458757			
V07		0.457752			
V08		0.561093			
V19		0.539801			
V20		0.609321			
V21		0.555963			
V22		0.593833			
V23		0.407207			
V25		0.669688			
V26		0.483177			
V05			0.411660		
V13			0.469875		
V14			0.593716		
V30			0.367234		
V31			0.767104		
V32			0.525719		
V33			0.645736		
V34			0.482977		
V11				0.496926	
V28				0.605549	
V36				0.576064	
V38				0.551427	
V39				0.555866	
V40				0.428333	
V09					0.443483
V17					0.546666
V24					0.559097
V27					0.679308
V18					0.361628

*Loadings of 0.30 and more were considered significant. Item 16 loaded below 0.30 and thus not reflected above.

* Method of Extraction: Varimax normalised/Principal components.

Five factors were extracted which coincided with the number of conceptualised dimensions. The latent roots criterion was used in factor extraction. The latent roots criterion holds that the amount of variation explained by each factor must be greater than one. Thus factors with eigenvalues greater than one were retained for subsequent analysis. Figure 7.5 contains information regarding the five

possible factors and their relative explanatory power expressed by their eigenvalues. The eigenvalues in respect of the five dimensions ranged from 7.6050 to 2.0208.

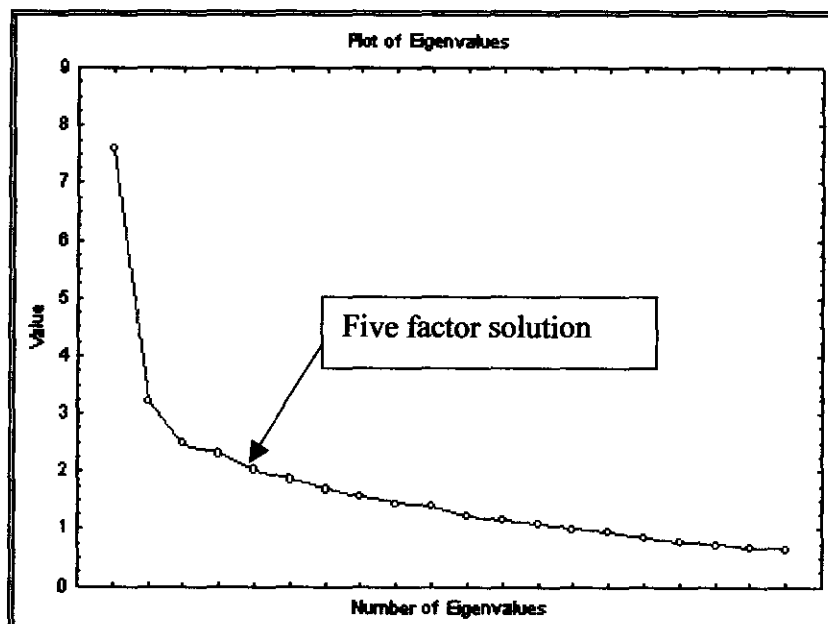
TABLE 7.5 EIGENVALUES FOR THE FIVE DIMENSIONS: PHASE ONE
(40 variables)

Eigenvalues (Supermarket)				
Extraction : Principle components				
Value	Eigenvalue	% Total variance	Cumulative Eigenvalue	Cumulative %
1	7.605061	19.01265	1.00000	19.01265
2	3.210678	8.02670	10.81574	27.03935
3	2.461914	6.15479	13.27765	33.19413
4	2.307418	5.76854	15.58507	38.96268
5	2.020848	5.05212	17.60592	44.01480

In addition, the number of factors to be extracted was also established by sketching the scree plot. The result of the scree plot is reflected in Figure 7.1

On examining the scree plot one establishes that the scree levels off at five factors, indicating that further extraction of factors does not enable any meaningful interpretation of data.

FIGURE 7.1 SCREE PLOT OF EIGENVALUES: FIVE FACTORS



The Cronbach alpha coefficient for each of the five dimensions is reflected in Table 7.6 below.

TABLE 7.6 RELIABILITY ANALYSIS AT THE PILOT STAGE: PHASE ONE
(40 variables)

FACTORS	CRONBACH ALPHA
Factor 1	0.749618
Factor 2	0.770040
Factor 3	0.788716
Factor 4	0.613799
Factor 5	0.411118
Standardised alpha = 0.870000	

However, the five extracted factors reflected some misfits in terms of the conceptualised dimensions (refer to Section 6.5.1). Further examination of the alpha values revealed that all five factors did not exceed the reliability recommended benchmark value of 0.70. There was therefore a need to examine factor structure and the loading. Chandon *et al.* (1997:62) posit the view that sequential deletion of items with weakest loading lead to a tentative definition of the best set of items for a particular dimension. Thus item modification was undertaken as follows.

- Item to total correlation was examined. Item A18 “the meat in the store is characterised by its freshness and quality” was dropped from further analysis. Firstly, it was double-barrelled and secondly, it had a negative item to total correlation. Item to item correlation (refer to Annexure F) also showed low correlations.
- Items A1 and A16 were dropped from further analysis due to either, low factor loading or low item to total correlation.
- Items A05; A09; A14; A21; A26; A27; A30; and A31 were also examined. They either loaded heavily one more than one factor, or were not loading appropriately onto the relevant dimensions. They were rephrased to capture the essence of the construct measured and subjected to further analysis at phase two of the pilot stages.

7.3.3 Reliability and Factor analysis at the pilot stage: Phase two (37 variables)

Upon making these adjustments to the questionnaire, a further 70 supermarket consumers were interviewed. A further modification was made to the Likert scale by placing the neutral point as a midpoint and including an additional response on the end of the scale, namely, "not applicable". This category was added to pre-empt mid-point responses from customers having no experience of the items under consideration. This was also modified due to the fact that the scale reliability dropped from 0.9340 to 0.8700 (refer to Annexures C and E) as evident from the standardised alpha values.

The iterative process continued by re-calculating the coefficient alpha on a reduced pool of 37 items. The standardised alpha was recorded at 0.948100 (refer to Annexure H), showing a marked improvement from the previous stage. Assessment of the items was undertaken by computing the factor analytical structure for the sample. Further examination of the factor structure reflects a possible misfit of some of the variables into the conceptualised dimensions. The data was then subjected to factor analysis using Varimax rotation (refer to Table 7.8). At a dimension level the alpha values ranged from 0.911610 to 0.638197 showing good internal consistency. The reliability values for the sample and at the factor level are reflected below.

TABLE 7.7 RELIABILITY ANALYSIS AT PILOT STAGE: PHASE TWO
(37 variables)

FACTORS	CRONBACH APLHA
Factor 1	0.881772
Factor 2	0.912880
Factor 3	0.876834
Factor 4	0.815738
Factor 5	0.638147
Standardised alpha = 0.948100	

The rotated factor-loading matrix for the five dimensions is reflected in Table 7.8.

TABLE 7. 8 ROTATED FACTOR-LOADING MATRIX AT THE PILOT STAGE
(phase two – 37 variables)*

VARIABLES	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5
V09	0.483700				
V11	0.498794				
V12	0.571408				
V18	0.595439				
V19	0.564229				
V20	0.659422				
V21	0.806916				
V22	0.559568				
V10		0.511279			
V26		0.604604			
V28		0.473497			
V29		0.815661			
V30		0.661977			
V33		0.710478			
V34		0.724909			
V35		0.863677			
V36		0.627456			
V37		0.756201			
V04			0.613525		
V15			0.501542		
V17			0.651501		
V23			0.526319		
V24			0.676627		
V27			0.729792		
V01				0.621947	
V05				0.690860	
V06				0.782064	
V07				0.609359	
V13				0.653670	
V14				0.612383	
V16				0.443664	
V25				0.535103	
V31				0.531754	
V02					0.704675
V03					0.694357
V08					0.449282
V32					0.577020

**Loadings of 0.30 and more were considered significant.*

**Method of extraction: Varimax normalised/Principal components.*

Further item reduction as suggested by Aldlaigan and Buttle (2002:369) was undertaken as follows.

- ❑ The minimum item correlation was set at 0.30.
- ❑ Items with very high multiple loadings on several factors were investigated.
- ❑ Items that were unstable, *i.e.* moving from factor to factor during the iterative process, were dropped.
- ❑ Items with very low item to total correlations that affected the alpha coefficient were dropped.
- ❑ Items with no substantial inter-item correlation (between 0.15 to 0.50) were also dropped.

This resulted in the dropping of variables.

- ❑ V15: The fruits and vegetables in the store is characterised by its freshness.
- ❑ V19: Prices of products are clearly visible.
- ❑ V22: Employees treat all customers in the same way, and
- ❑ V32: The store has access to clean rest-room facilities.

The iterative process was re-run. The standardised Cronbach alpha was recorded at 0.942536 (refer to Annexure I). The average inter-item correlation was recorded at 0.340568, indicating strong correlation amongst variables and data stability. Factor analysis was undertaken again, initially un-rotated and then rotated using Varimax rotation.

The five-factor structure reflected greater clarity in terms of loading onto appropriate dimensions. The Cronbach alpha for each dimension ranged from 0.908334 to 0.784792, thus demonstrating good internal consistency and reliability. The rotated factor matrix is reflected in Table 7.9 and the Cronbach alpha for each dimension is shown in Table 7.10.

TABLE 7.9 ROTATED FACTOR-LOADING MATRIX AT THE PILOT**STAGE: PHASE TWO (33 variables)***

VARIABLES	FACTOR1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5
V01	0.777586				
V02	0.587020				
V03	0.522828				
V04	0.508278				
V06	0.695799				
V07	0.608026				
V25	0.614383				
V26		0.614477			
V28		0.502816			
V29		0.813437			
V30		0.657180			
V33		0.705812			
V34		0.732060			
V35		0.856749			
V36		0.636498			
V37		0.763418			
V17			0.739493		
V18			0.523374		
V23			0.601827		
V24			0.609819		
V27			0.670658		
V05				0.600811	
V11				0.576440	
V13				0.680659	
V14				0.677154	
V16				0.609350	
V20				0.782065	
V31				0.427556	
V08					0.642084
V09					0.588382
V10					0.512964
V12					0.751893
V21					0.602624

*Loadings of 0.30 and more were considered significant.

*Method of extraction Varimax normalised/Principal components.

TABLE 7.10 RELIABILITY ANALYSIS AT THE PILOT STAGE: PHASE TWO (33 variables)

FACTORS	CRONBACH ALPHA
Factor one	0.831784
Factor two	0.883854
Factor three	0.784792
Factor four	0.849175
Factor five	0.822968
Standardised alpha = 0.942536	

Whilst reliability exceeded the acceptable level, variables required closer scrutiny. Table 7.11 provides an overview of further amendments made to the 33 variable scale.

TABLE 7.11 ITEM REDUCTION TO THE VARIABLE SCALE

NO	DESCRIPTION OF THE VARIABLE	MOTIVATION FOR REDUCTION
V21	The products are appropriately grouped on shelves	Showed instability during the iteration process. Cronbach alpha would increase if deleted. Low inter-item correlation.
V28	Returns and exchanges are handled without a fuss	Cronbach alpha would increase if deleted.

The iteration process continued by the re-computation of the standardised Cronbach alpha (refer to annexure J), factor analysis (refer to Table 7.12) and reliability for each dimension (refer to Table 7.13).

**TABLE 7.12 ROTATED FACTOR-LOADING MATRIX AT THE PILOT
STAGE: PHASE TWO (31 variables)***

VARIABLES	FACTOR 1	FACTOR 2	FACTOR 3	FACTOR 4	FACTOR 5
V05	0.617948				
V11	0.661579				
V13	0.623981				
V14	0.644341				
V16	0.639686				
V20	0.806489				
V26	0.605010				
V29		0.816583			
V30		0.653725			
V33		0.709879			
V34		0.731171			
V35		0.858709			
V36		0.663054			
V37		0.764503			
V17			0.749191		
V18			0.537954		
V23			0.556302		
V24			0.630011		
V27			0.687747		
V01				0.690665	
V02				0.669288	
V03				0.570805	
V04				0.430515	
V06				0.647703	
V07				0.582101	
V25				0.622086	
V31				0.491125	
V08					0.687491
V09					0.590443
V10					0.541504
V12					0.744635

**Loadings of 0.30 and more were considered significant.*

**Method of extraction Varimax normalised/Principal components.*

The standardised alpha was recorded at 0.941503, and at the dimension level, the reliability ranged from 0.903764 to 0.784792. The observed drop in reliability is presumably due to the elimination of the two items.

TABLE 7.13 RELIABILITY ANALYSIS AT THE PILOT STAGE:
PHASE TWO (31 variables)

FACTORS	CRONBACH ALPHA
Factor one	0.869005
Factor two	0.903764
Factor three	0.784792
Factor four	0.843175
Factor five	0.838451
Standardised alpha = 0.941503	

The eigenvalues at the 31 variables ranged from 11.53506 to 1.57888. Together these five factors accounted for 63% of the variance. The eigenvalues for the five factors is depicted in figure 7.14.

TABLE 7.14 EIGENVALUES AT THE PILOT STAGE: PHASE TWO
(31 variables)

Eigenvalues (Supermarket)				
Extraction : Principle components				
Value	Eigenvalue	% Total variance	Cumulative Eigenvalue	Cumulative %
1	11.53506	37.20988	11.53506	37.20988
2	2.58406	8.33567	14.11912	45.54554
3	2.25460	7.27289	26.37371	52.81843
4	1.64705	5.31308	18.02077	58.13151
5	1.57888	5.09315	19.59965	63.22466

The initial 40 variables were thus reduced to 31 variables through the process of scale purification during the various stages. The descriptions of the various variables and the dimensions are reflected in Table 7.15. These 31 variables were then used to prepare the main survey questionnaire and administered on a larger sample size.

TABLE 7.15 CRITICAL FACTORS OF CUSTOMER SERVICE QUALITY AT THE PILOT STAGE.

VARIABLES	
V05- Customers feel safe in transacting with the store V11- This store has safe customer parking V13- The store provides convenient cash withdrawal facilities V14- Stocks of merchandise are always available V16- Merchandise is appropriately packed into plastic bags by till packers V20- The store layout makes it easy for customers to find what they need V26- Employees in this store are appropriately dressed	Factor 1
V29- The store uses time saving technology (e.g. scanners) for the benefit of customers V30- This store has modern looking fittings and equipment V33- Clearly specified sales slips are given to customers V34- The brands sold at this store are trustworthy V35- A broad variety of brands is offered at this store V36- The retailer's own brands are of a high quality V37- The store has operating hours convenient to most customers	Factor 2
V17- The store is characterised by its pleasant aroma V18- Prices of products are clearly visible V23- The retailer leads as a corporate citizen in ethical issues in its operation. V24- The store provides good service at a reasonable cost but not at the expense of quality V27- The fresh food display is always fresh	Factor 3
V01- Employees in the store are able to handle customer complaints immediately V02- The waiting time at the cashiers is short V03- The store has provisions for customer suggestions and comments V04- The public contact staff are polite to customers V06- Employees in this store are always willing to help customers V07- Employees in the store have the knowledge to answer customer's questions V25- The store is characterised by error free sales transactions	Factor 4
V08- Employees in the store are never too busy to respond to customer requests V09- Employees in this store give you personal attention V10- Adequate till-packers are available during peak periods V12- The store layout enables customers to move around with ease	Factor 5

7.4 DATA EDITING AND CODING OF THE MAIN SURVEY

Data editing is a process whereby the raw data is checked for mistakes made either by the interviewer or the respondent. It is designed to impose some minimum quality standard on the raw data collected. Third year students in marketing undertook fieldwork and the researcher undertook field editing and supervision.

Coding on the other hand involved grouping and assigning values to various responses from the survey instrument. Codes generally are considered to be numbered symbols, however, they are more broadly defined as rules for interpreting, classifying and recording of data.

The questions on the questionnaire were divided into three sections, section A - perceptions data, B - opinion data, and C - classification data.). The questions were 100% structured and thus minor problems were encountered in the coding process. Table 7.16 summarises the variable codes to questions used in the survey.

TABLE 7.16 CODING INFORMATION

Question Number	Variable
Perceptions Data	
Section A, Question 1	Q01
Section A, Question 2	Q02
Section A, Question 3	Q03
Section A, Question 4	Q04
Section A, Question 5	Q05
Section A, Question 6	Q06
Section A, Question 7	Q07
Section A, Question 8	Q08
Section A, Question 9	Q09

TABLE 7.16 CODING INFORMATION (CONTINUED ...)

Question Number	Variable
Section A, Question 10	Q10
Section A, Question 11	Q11
Section A, Question 12	Q12
Section A, Question 13	Q13
Section A, Question 14	Q14
Section A, Question 15	Q15
Section A, Question 16	Q16
Section A, Question 17	Q17
Section A, Question 18	Q18
Section A, Question 19	Q19
Section A, Question 20	Q20
Section A, Question 21	Q21
Section A, Question 22	Q22
Section A, Question 23	Q23
Section A, Question 24	Q24
Section A, Question 25	Q25
Section A, Question 26	Q26
Section A, Question 27	Q27
Section A, Question 28	Q28
Section A, Question 29	Q29
Section A, Question 30	Q30
Section A, Question 31	Q31
Opinion Data	
Section B, Question 1	B01
Section B, Question 2	B02
Section B, Question 3	B03
Section B, Question 4	B04
Classification Data	
Section C, Question 1	C01
Section C, Question 2	C02
Section C, Question 3	C03
Section C, Question 4	C04

7.5 ANALYSIS OF THE MAIN SURVEY

Before the use of complex data analysing techniques, researchers usually summarise the data in order to understand the basic composition of the data that have been collected (Pelser, 2002:165). In this way researchers can use various statistics to describe the sample or make inferences (Shao, 2002:416). The section which follows provides an overview of the descriptive statistics that have been used in the preliminary data analysis.

7.5.1 Descriptive statistical analysis of the perceptions, opinion and classification data.

The measures of central tendency and measures of dispersion are reflected in Table 7.17. Missing elements were encountered with regards to the perceptions data and B4 in the opinion data. In these instances respondents either omitted the question, crossed more than one alternative or crossed the “not applicable” column in the question. In question C4 with reference to the classification data, some respondents did not wish to reveal their income category. The minimum and maximum values refer to the respective response values for each variable.

The highest mean turned out to be 2.07 (Q13) in the perceptions data, indicating that respondents agree that cash withdrawal facilities do provide convenience for their shopping. The lowest mean was recorded as 1.43 (Q27), indicating that respondents place a neutral importance with reference to cash sales slips. This may probably be due to the fact that the supermarket chain in question uses high-technology scanners at their pay points.

The highest mean reported in the opinion data was 4.49 (B4) indicating that, on an average, complaints about poor services offered by the supermarket were reported by consumers on no more than one occasion. The lowest mean reported was 1.56 (B3), inferring that respondents were quite likely to recommend the supermarket to a friend. The highest mean in the classification data was recorded at 2.70 (C3), indicating that the age,

TABLE 7.17 Descriptive statistics: Total sample

	Valid N	Mean	Median	Minimum	Maximum	Std.Dev.	Skewness	Kurtosis
PERCEPTIONS DATA								
Q01	582	1.7887	2.0000	1.0000	5.0000	0.865285	1.14179	1.14179
Q02	606	2.0644	2.0000	1.0000	5.0000	0.989607	0.72288	-0.29347
Q03	591	2.0778	2.0000	1.0000	5.0000	0.971125	0.56784	-0.28825
Q04	605	1.77702	2.0000	1.0000	5.0000	0.860333	1.10206	1.13596
Q05	606	1.6815	2.0000	1.0000	5.0000	0.773030	1.09136	1.28600
Q06	604	1.7351	2.0000	1.0000	5.0000	0.876840	1.34181	1.86966
Q07	600	1.8367	2.0000	1.0000	5.0000	0.900745	1.05605	0.96263
Q08	603	1.9370	2.0000	1.0000	5.0000	0.932618	0.91460	0.55499
Q09	607	1.9934	2.0000	1.0000	5.0000	0.991693	0.79749	-0.00248
Q10	605	1.84969	2.0000	1.0000	5.0000	0.939664	1.04852	0.58291
Q11	600	1.7467	2.0000	1.0000	5.0000	0.873935	1.28348	1.72465
Q12	607	1.7858	2.0000	1.0000	5.0000	0.891987	1.09119	0.89389
Q13	578	2.0000	2.0000	1.0000	5.0000	1.162678	1.17510	0.68722
Q14	602	1.9751	2.0000	1.0000	5.0000	0.996351	1.01204	0.57729
Q15	600	1.7250	2.0000	1.0000	5.0000	0.804438	1.15602	1.53062
Q16	605	1.8347	2.0000	1.0000	5.0000	0.852995	0.83680	0.36541
Q17	605	1.7636	2.0000	1.0000	5.0000	0.875721	1.22050	1.39312
Q18	605	1.6760	2.0000	1.0000	5.0000	0.776840	1.16514	1.53021
Q19	597	1.9648	2.0000	1.0000	5.0000	0.880685	0.51217	-0.35329
Q20	605	1.9256	2.0000	1.0000	5.0000	0.898539	0.88857	0.53086
Q21	603	1.8076	2.0000	1.0000	5.0000	0.887047	0.95911	0.50528
Q22	607	1.4827	1.0000	1.0000	5.0000	0.686466	1.55178	3.17977
Q23	607	1.5914	1.0000	1.0000	5.0000	0.813130	1.55979	2.51884
Q24	607	1.4547	1.0000	1.0000	5.0000	0.645502	1.44348	2.47893
Q25	606	1.6073	1.0000	1.0000	5.0000	0.730140	1.37495	2.68318
Q26	605	1.6380	1.0000	1.0000	5.0000	0.767431	1.27161	1.89227
Q27	606	1.4340	1.0000	1.0000	5.0000	0.654116	1.72093	3.97710
Q28	603	1.4992	1.0000	1.0000	5.0000	0.704458	1.57618	3.20338
Q29	606	1.6040	1.0000	1.0000	5.0000	0.748498	1.17199	1.03557
Q30	604	1.6589	2.0000	1.0000	5.0000	0.768084	1.15281	1.47914
Q31	606	1.5759	1.0000	1.0000	5.0000	0.804952	1.62148	2.99499
OPINION DATA								
B1	607	1.7133	2.0000	1.0000	5.0000	0.665166	0.87126	1.88283
B2	607	1.6096	1.0000	1.0000	5.0000	0.733976	1.43840	3.22602
B3	607	1.5651	1.0000	1.0000	5.0000	0.730274	1.49476	2.96909
B4	607	4.4917	5.0000	1.0000	5.0000	0.961626	-2.18085	4.31571
CLASSIFICATION DATA								
C1	607	1.4613	1.0000	1.0000	2.0000	0.498910	0.15571	-1.98230
C2	607	1.5502	1.0000	1.0000	5.0000	0.897574	2.08109	4.55688
C3	607	2.7035	3.0000	1.0000	6.0000	1.142216	0.45905	-0.13605
C4	586	2.5785	2.0000	1.0000	6.0000	1.493513	0.63068	-0.58683

category of the respondents ranged from 26 to 45 years and 1.46(C1) being the lowest age category of 18 to 25 years.

The majority (79%) of the medians were close in values to their respective means in the perceptions, opinion and classification data, inferring that the distribution is fairly normal.

With reference to measure of dispersion, the standard deviations of the variables were computed. The largest standard deviation was 1.16 (Q13) and the lowest was 0.64 (Q24) among the perceptions data. In the opinion data 0.96 (B4) and 0.66 (B1) were the largest and smallest standard deviations respectively. In the classification data the largest standard deviation was 1.49 (C4) and the smallest standard deviation was 0.49 (C1). In the majority (92%) of observations, the standard deviation was below one, indicating that the sample is relatively homogeneous.

The perceptions, opinion and classification data all had positively skewed distributions, with the exception of B4 (opinion data) which had a negatively skewed distribution. This infers that the distribution is relatively symmetrical.

The kurtosis measures the peakedness of the distribution of the values. The kurtosis values obtained from all the variables indicate that the majority of the variables differed from zero, indicating that the distributions were either flat (negative) or more peaked than normal.

7.5.2 Factor analysis: *perceptions data*

The purpose of this phase was to examine the robustness of the factor structure of the thirty-one service quality variables that resulted from the pilot stage. The variables were analysed using principal component analysis, initially unrotated and then through Varimax normalisation.

Prior to factor analysis, the appropriateness of factorability on the data set was established. The correlation matrix, i.e. the strength of linear association among variables was examined. Initial examination of the correlation matrix (refer to Annexure L) revealed that a substantial number (97%) of correlations were larger than 0.30 which, according to Avkiran, (1994:14) indicates factorability. Since a majority of the correlations were more than 0.30 in value, it can be inferred that the correlation matrix is not an identity matrix, i.e. with zero correlations. In addition the subject to item ratio was 6.36:1 for store A, 6.48:1 for store B and 6.70:1 for store C, which according to Aldlaigan and Buttle (2002:360) is satisfactory for factor analysis. In addition, the Bartlett's Test of sphericity was 8246.8000, significant at 0.000. The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.956 considered as "marvellous" (Kaiser, 1974:35) for factor analysis.

The number of factors extracted in accordance with the latent roots criterion was set at five. This was undertaken *a priori* (Hair *et al.*, 1992:237) taking into account the conceptualised dimensions expounded in Chapter Six (refer to Section 6.5.1). However, contrary to the conceptualised dimensions and literature study, factors four and five were eliminated, as they could not be meaningfully interpreted in terms of the conceptualised dimensions. In addition, the scree plot reflected in Figure 7.2 showed a flattening of the scree after three factors. Furthermore (Hair *et al.*, 2000:593) posit the view that an important point to consider in deciding how many factors to retain is to examine the percentage of variation in the data set that is explained by each factor. Examining Table 7.18 three factors would be retained as it accounts for 51% of the variance.

Of note is that in the pilot stages the conceptualised dimensions of service quality were used and not all the conceptualised dimensions would necessarily emerge as distinct factors. Avkiran (1994:14) undertook research on developing an instrument in bank service quality used the five conceptualised dimensions of the SERVQUAL scale in the pilot stages. Four of the conceptualised dimensions emerged as interpretable factors in the main survey. Kim and Jin (2002:223-237) used the six conceptualised

dimensions of DTR (Retail Service Quality Scale) in their pilot stages to validate the scale for US and Korean consumers, found that only three of the six factors were relevant and interpretable in their research. In South Africa, Nel *et al.* (1997:116) tested the reliability and validity of the SERVQUAL scale across a range of organisations, found that only three of the five dimensions were applicable to retail pharmacies. This is consistent with research done in service quality. The factor-loading matrix is reflected in Table 7.19.

TABLE 7.18 EIGENVALUES IN THE MAIN SURVEY
(31 variables)

FACTORS	EIGENVALUES	% TOTAL VARIANCE	CUMULATIVE EIGENVALUES	CUMULATIVE PERCENTAGE
One	12,69859	40,96318	12,69859	40,96318
Two	1,77630	5,72999	14,47488	46,69317
Three	1,31976	4,25728	15,79464	50,95045

FIGURE 7.2 SCREE PLOT OF EIGENVALUES: MAIN SURVEY

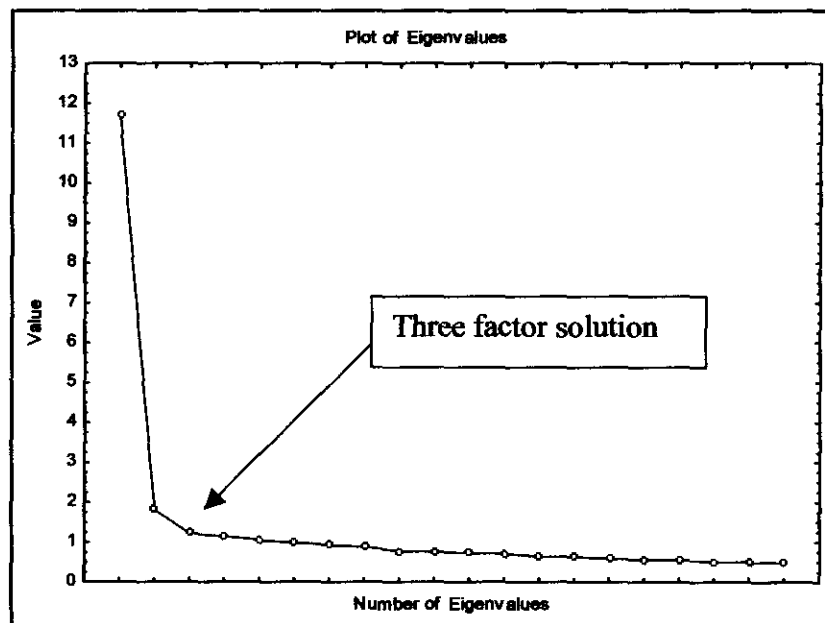


TABLE 7.19 ROTATED FACTOR-LOADING MATRIX : MAIN SURVEY
*(31 variables)**

VARIABLES	FACTOR 1	FACTOR 2	FACTOR 3
Q01	0.653974		
Q02	0.603829		
Q03	0.532557		
Q04	0.668566		
Q05	0.503822		
Q06	0.695278		
Q07	0.710725		
Q08	0.672170		
Q09	0.694265		
Q21	0.495316		
Q22		0.597277	
Q23		0.573540	
Q24		0.645100	
Q25		0.726630	
Q26		0.682946	
Q27		0.720951	
Q28		0.670111	
Q29		0.618658	
Q30		0.609279	
Q31		0.607424	
Q10			0.512232
Q11			0.409624
Q12			0.546561
Q16			0.620934
Q17			0.548387
Q18			0.622384
Q19			0.571227
Q20			0.468165

** Loading of 0.40 and more were considered significant due to the larger sample size.*

** Item Q15 reflected low factor loading and was omitted.*

At the main survey stage, factor loadings 0.40 and more were considered significant. This is consistent with Hair *et al.* (1992:239) that factor loadings greater than ± 0.30 are considered to meet the minimum levels, loadings of ± 0.40 are considered important, and loading of ± 0.50 and greater are considered more important.

Item Q15 which reflected multiple and low factor loading was removed. Item Q15 was: Merchandise is appropriately packed into plastic bags by till-packers for customers. To many customers this may seem of little importance with the introduction of the Government regulated plastic bags, which came into operation on 9 May 2003, whereby customers are required to pay for plastic bags. Customers therefore pay little attention to the combination of goods that go into the plastic bags because if they want a separation of the products into different bags, this entails paying for a number of bags.

The factor analysis process was re-run with thirty latent variables. The eigenvalues is reflected in Table 7.20 and the rotated factor matrix is shown in Table 7.21.

TABLE 7.20 EIGENVALUES IN THE MAIN SURVEY

(30 variables)

FACTORS	EIGENVALUES	% TOTAL VARIANCE	CUMULATIVE EIGENVALUES	CUMULATIVE PERCENTAGE
One	12.27695	40.92317	12.27695	40.92317
Two	1.76882	5.89606	14.04577	64.81924
Three	1.32376	4.41255	15.36953	51.23178

Taken together, the three factors accounted for 51% of the variance.

TABLE 7.21 ROTATED FACTOR-LOADING MATRIX: MAIN SURVEY
*(30 variables)**

VARIABLES	FACTOR 1	FACTOR 2	FACTOR 3
Q01	0.656277		
Q02	0.600444		
Q03	0.532926		
Q04	0.667524		
Q05	0.502843		
Q06	0.694613		
Q07	0.708557		
Q08	0.674576		
Q09	0.696929		
Q21	0.494265		
Q22		0.597531	
Q23		0.573046	
Q24		0.644694	
Q25		0.721088	
Q26		0.680132	
Q27		0.718639	
Q28		0.669626	
Q29		0.620241	
Q30		0.608552	
Q31		0.607278	
Q10			0.518990
Q11			0.415771
Q12			0.547363
Q13			0.659925
Q14			0.599847
Q16			0.615037
Q17			0.541063
Q18			0.600439
Q19			0.581347
Q20			0.465614

** Loading of 0.40 and more were considered significant.*

7.5.3 Naming and interpretation of the Factors

Factor one, labelled reliability, comprised ten variables and accounted for 40.92% of the variance. The eigenvalue for the factor was 12.27. This dimension incorporates the reliability and personal interaction aspects of the retail service quality scale (Dabholkar *et al.*, 1996:7). The items that loaded onto the factor relate mainly to the human element in the service delivery. This dimension is consistent with Gronross's (1984:37) technical (the actual outcome of the service encounter) and functional (how the customer receives the service) quality aspects of his model. For customers, it is not only important what is sold (technical quality) but also the process followed in order to obtain the sale (functional). This dimension therefore incorporate the supermarket's consistency in performing services and the extent to which the services provided inspire confidence and trust in customers.

The above conclusions are also in keeping with comments from the focus group interviews where participants viewed proper complaints handling, short waiting time at cashiers, staff friendliness, courtesy, personal attention and availability of merchandise important in improving services. Comments from participants were, for example:

"To date nobody telephoned me back. Since then I stopped shopping at this particular supermarket",

"Many times I had to wait in long queues at the cashier", and

"The lady was very accommodating and gladly gave me a new batch of eggs",

reiterate the view that customers place reliability as a key determinant in evaluating services. The rotated factor loading for the reliability factor is contained in Table 7.22.

TABLE 7.22 ROTATED FACTOR MATRIX: RELIABILITY

VARIABLE	VARIABLE DESCRIPTION	FACTOR LOADING
Q01	Handling of customer complaints	0.656227
Q02	Waiting time at cashiers	0.600444
Q03	Provision for customer suggests and comments	0.532962
Q04	Contact staff are polite to customers	0.667524
Q05	Safety in transacting with the store	0.502843
Q06	Willingness to help customers	0.694613
Q07	Knowledge to answer customer questions	0.708557
Q08	Respond to customer requests	0.674576
Q09	Employees give you personal attention	0.696923
Q21	Error free sales transactions	0.494265

The second factor labelled atmospherics, comprised ten variables and accounted for 5,89% of the variance. The eigenvalue was 1.76. It is evident that this factor combines the tangible aspects of the SERVQUAL scale and the physical aspects of the Retail Service Quality scale. Consistent with literature on atmospherics (Bitner, 1993:57), reaffirms that store atmosphere and appearance are important to retailers in making global evaluations of a retailer's services. However, this dimension has a broader meaning than the SERVQUAL scale. In addition to the appearance of the physical facilities, it encompasses convenience offered to customers in terms of brand variety, shopping hours and the layout of the physical facilities. These are all tangible influences that customers notice before or upon entering the supermarket. It is apparent that due to the intangible nature of services and that service quality is difficult to evaluate objectively customers rely on this tangible evidence that surrounds the service to help them form their evaluations (Hoffman & Bateson, 2002:221). These characteristics also assist the customer to establish the image of the retailer, which in turn influences customers' perceptions (Sui, 2001:91).

This notion is also supported by the findings of the focus group interviews. For example, some excerpts from the focus group interviews were:

“In the fruit and vegetable section, you find leaves all over the floor and they do not even care to pick them up”,

“ I buy from this supermarket because of the freshness of their products”,

“In the prepared food section of this supermarket, the assistants working with food did not wear hats. I found it dirty because hair can fall into the food served to customers”.

Further insights and evidence from environmental psychology (refer to Section 4.9.1) supports the notion that atmospherics induced by the store environment influence the attitude as well as the behaviour of the consumers (Donovan *et al.*, 1994:291). Kotler (2000:527) is of the view that the environment offered by the store has an impact, influences the customers’ decision to visit the store and also guides the consumers’ inferences about service quality. Levy and Weitz (1998:562) confirm that the store environment plays an integral role in establishing a store’s overall image. The rotated factor loading for the atmospherics factor is contained in Table 7.23.

TABLE 7.23 ROTATED FACTOR MATRIX: ATMPOSPHERICS

VARIABLE	VARIABLE DESCRIPTION	FACTOR LOADING
Q22	Employees are appropriately dressed	0.597551
Q23	The fresh food display is always fresh	0.573046
Q24	The store uses time saving technology	0.644694
Q25	The store has modern-looking fittings and equipment	0.721088
Q26	The physical facilities are appealing	0.680132
Q27	Clearly specified sales slips are given to customers	0.718639
Q28	The brands sold at this store are trustworthy	0.669626
Q29	A broad variety of brands are offered	0.620241
Q30	The retailer’s own brands are of a high quality	0.608552
Q31	The store has convenient operating hours	0.635372

The third factor, labelled policy, comprised ten latent variables and accounted for 4.41% of the variance. The eigenvalue was 1.32. This dimension captures aspects of service quality that are influenced by the retailer's policy. When customers evaluate whether the supermarket has safe customer parking, for example, this is viewed as to whether the store's policy is responsive to the needs of the customers (Dabholkar *et al.*, 1996:7).

These findings support the qualitative studies undertaken. Participants in the focus groups, for example, referred to the following:

"You cannot shop freely if you know that your car is not safe in the parking".

"Parking is safe. Car attendants are always visible", and

"While shopping I found the shelf-packers are busy packing products on the shelves. I find it quite disturbing because we need space to move around with our trolleys".

Policy therefore captures those elements that are influenced by the supermarket's responsiveness to the needs of the customer. The rotated factor-loading for the policy factor is contained in table 7.24.

TABLE 7.24 FACTOR-LOADING MATRIX: POLICY

VARIABLE	VARIABLE DESCRIPTION	FACTOR LOADING
Q10	Adequate till-packers are available	0.518990
Q13	Convenient cash withdrawal facilities are available	0.659225
Q14	Merchandise is always available	0.599847
Q11	Safe customer parking	0.415771
Q12	Store layout enables customers to move around with ease	0.547363
Q16	The store is characterised by its pleasant aroma	0.615037
Q17	Prices of products are clearly visible	0.541063
Q18	Layout makes it easy for customers to find products needed	0.600439
Q19	The retailer leads as a corporate citizen	0.581341
Q20	The store provides good service at a reasonable cost	0.465614

7.5.4 Descriptive statistics and correlations of the three dimensions after factor analysis.

Table 7.25 shows the descriptive statistics and correlations for the sample in relation to the extracted dimensions. Atmospherics obtained the lowest mean score (highest reliability), which means that 99.34% of the respondents scored favourably (low) on this factor, while policy obtained the highest factor mean score (low reliability), i.e. 90.28% of the respondents scored low on this factor.

Keeping in mind that the Likert scale categories 1.0 to 2.6 are regarded as high, 2.6 to 3.4 are regarded as average or neutral and 3.4 to 5 are regarded as low, Table 7.25 further shows that significant positive correlation between factors one, two and three (reliability, atmospherics and policy).

TABLE 7.25 DESCRIPTIVE STATISTICS AND CORRELATIONS

FACTOR	N	MEAN	S.D	FREQUENCY		FREQUENCY		CORRELATIONS		
				LOW	%	AVE	%	REL	POL	ATM
Rel **	607	1.8723	0.6582	691	97.36	16	2.63	1.00	0.69*	0.76*
Atm **	607	1.5555	0.5222	603	99.34	4	0.65	0.69*	1.00	0.71*
Pol **	607	1.8428	0.5865	548	90.28	59	9.71	0.76*	0.71*	1.00
* significant at $p < 0.05000$										
** reliability; atmospherics; policy.										
N.B. High frequencies = 0										

This implies that a positive attitude towards reliability aspects such as complaints handling, waiting times at cashiers, customer suggestions and comments, politeness, safety, etc. positively related with atmospherics are aspects such as employee attire, freshness of products, time saving technology, physical, etc. which in turn are positively related to policy aspects such as adequate till-packers, cash withdrawal facilities, safe parking and store layout.

7.5.5 Reliability analysis: main survey

The Cronbach alpha computed for the sample was recorded at 0.949685 (refer to Annexure N). An improvement was noted from the pilot stages (refer to Table 7.13). At the dimension level, the Cronbach alpha ranged from 0.854343 to 0.901176 thus indicating a high internal consistency amongst variables within each dimension. The Cronbach alpha for the overall sample and at the dimension level is reflected in Tables 7.26.

TABLE 7.26 ITEM RELIABILITY ANALYSIS: MAIN SURVEY

FACTORS	CRONBACH ALPHA
Reliability	0.901176
Atmospherics	0.889985
Policy	0.854343
Standardised alpha = 0.949685	

In addition, the testing for response bias in the data collection procedure required the computation of separate alpha values for the first two thirds and the second one third of the completed responses. It was hypothesised that the alpha values would not be significantly different from both groups (split-sample) of responses. The standardised alpha emerged as 0.9421 and 0.9481 respectively (refer to Table 7.27). The difference was small enough to indicate that there were any significant differences in the data sets. In addition the average inter-item correlation among variables were 0.3571 and 0.3830 respectively, thus further establishing internal consistency and data stability.

TABLE 7.27 SUMMARY OF RELIABILITY VALUES: SPLIT SAMPLE

NO. OF VARIABLES	MEAN	STD. DEV.	N	STANDARDISED ALPHA	AVERAGE INTER-ITEM CORRELATION
30	46.38	13.34	204	0.9421	0.3571
30	54.66	16.17	403	0.9481	0.3830

At the store level, the Cronbach alpha was also consistent amongst the three supermarkets, ranging from 0.9408 to 0.9447. At the dimension level the three stores separately showed reliability values of ranging from 0.90 to 0.83. Taken together, the reliability values fulfil the reliability benchmark value of 0.70. The reliability values for the three supermarkets are reflected in Table 7.28.

TABLE 7.28 RELIABILITY: STORE AND DIMENSION WISE

RELIABILITY	STORE A			STORE B			STORE C		
Store wise	0,9408			0,9447			0,9483		
Dimension wise	F1	F2	F3	F1	F2	F3	F1	F2	F3
	0.87	0.84	0.86	0.89	0.88	0.83	0.90	0.89	0.83

□ **Validity analysis**

The validity of the scale was assessed. Four types of validity test were performed, namely:

- content validity,
- two forms of construct validity, convergent and discriminant validity, and
- predictive validity.

The method of testing the various types of validity is discussed below.

□ **Content validity**

To ensure that the service quality scale satisfies content validity, a mixed methodology research process was followed. Initially, a qualitative data collection process, namely focus group interviews, was undertaken to ascertain customer perceptions of supermarket service quality. The key ideas were then used in the questionnaire construction. Content validity was also ascertained by pre-testing the questionnaire and a review of the questionnaire by academics and practitioners in the field. The instrument

was further refined during the various pilot-testing stages during which changes were made to the questionnaire.

In addition the procedure used by Nel *et al.* (1997:116) was also used to assess content validity, where respondents from all the stores were required to give an indication of their overall rating of service quality. Table 7.29 reflects the mean of the service quality scale scores for each store grouped by their overall impression of service and the three dimensions of service quality. The results indicate support for the content validity of the scale as the mean scores become smaller (*i.e.* closer to good and excellent) the overall service quality impression changes from poor to excellent.

TABLE 7.29 Content validity

OVERALL EVALUATION	STORE A	STORE B	STORE C	TOTAL GROUP
Very poor	0*	2.774	0*	3.060
Poor	0*	2.479	2.839**	2.785
Neutral	2.325	2.479	2.511	2.452
Good	1.603	2.003	1.879	1.833
Excellent	1.412	1.648	1.466	1.494
* Indicates that no respondents choose these categories ** Only one respondent in store C rated the overall service quality as poor.				

□ Convergent validity

A scale's convergent validity is related to the high association between new constructs and other similar constructs. The scale's convergent validity was assessed for statistical significance by using Pearson's correlation coefficients. The three dimensions of service quality, namely reliability, atmospherics and policy were correlated with the overall measure of service quality (B1) *i.e.* overall, how would you rate the quality of service at the supermarket? Pearson's coefficient supports the main contention behind convergent validity that the observed results are not an artefact of the

instrument, *i.e.* there is a high correlation with results from the instrument designed to measure the same construct (Avkiran, 1994:15). Thus the following hypothesis was formulated:

H₁ : There is no association between overall service quality performance and service quality as measured by the three dimensions of service quality.

Table 7.30 reflects that the marked correlations are all significant at $p < 0.05000$. The null hypothesis that there is no correlation is therefore rejected. This implies that the three dimensions of service quality do in fact converge with the measure of overall service quality. Furthermore, the reliability of a scale as measured by coefficient alpha reflects the degree of cohesiveness among scale items and is also an indirect indicator of convergent validity (Parasuraman *et al.*, 1988:439). The Cronbach alpha values (refer to Table 7.26) for the three dimensions are high in the study.

TABLE 7.30 CORRELATION OF OVERALL SERVICE QUALITY AND SERVICE QUALITY DIMENSIONS.

Variable	B1	Reliab	Atmos	Policy
B1	1.00	-0.49*	-0.39*	-0.39*
Reliability	-0.49*	1.00	0.69*	0.75*
Atmospherics	-0.53*	0.69*	1.00	0.70*
Policy	-0.39*	0.73*	0.67*	1.00

* Marked correlations are significant at $p < 0.05000$

❑ Discriminant validity

Discriminant validity was measured by including an item in the study (B4) relating to complaints about poor services offered by the supermarket. The following hypothesis was formulated:

H₂: There is a positive correlation between complaints about poor services offered by the supermarket and service quality as measured by the three dimensions of service quality.

The marked correlation in Table 7.31 depicts negative correlations between complaints about service offered by the supermarket and overall service quality, thus providing evidence of discriminant validity. Hypothesis H₂ is therefore rejected.

TABLE 7.31 CORRELATION BETWEEN COMPLAINTS ABOUT POOR SERVICES AND SERVICE QUALITY DIMENSIONS.

Variable	B4	Reliab	Atmos	Policy
B4	1.00	-0.34*	-0.35*	-0.30*
Reliability	-0.43*	1.00	0.69*	0.75*
Atmospherics	-0.35*	0.69*	1.00	0.70*
Policy	-0.24*	0.75*	0.70*	1.00

* Marked correlations are significant at $p < 0.05000$

❑ **Predictive validity**

Tables 7.32 to 7.34 report on the results of the multiple regression analysis computed in order to establish the predictive power of the three service quality dimensions. The three service quality dimensions were regressed with the following opinion data:

- ❑ Overall service quality (B1)
- ❑ Store patronage (B2)
- ❑ Recommendation of the supermarket to a friend (B3)

The three service quality dimensions were used as the independent variable and the opinion data was used as the dependent variable. A positive

relationship was assumed between the three dimensions and the opinion data. Accordingly, the following hypotheses was formulated:

- H₃: The reliability dimension (F1) of service quality is positively related to overall service quality (B1).
- H₄: The atmospheric dimension (F2) of service quality is positively related to overall service quality (B1).
- H₅: The policy dimension (F3) of service quality is positively related to overall service quality (B1).

- H₆: The reliability dimension (F1) of service quality is positively related to future store patronage (B2).
- H₇: The atmospheric dimension (F2) of service quality is positively related to future store patronage (B2).
- H₈: The policy dimension (F3) of service quality is positively related to future store patronage (B2).

- H₉: The reliability dimension (F1) of service quality is positively related to recommendation of the supermarket to a friend (B3).
- H₁₀: The atmospheric dimension (F2) of service quality is positively related to recommendation of the supermarket to a friend (B3).
- H₁₁: The policy dimension (F3) of service quality is positively related to recommendation of the supermarket to a friend (B3).

Table 7.32 outlines the regression analysis of the three dimensions with the overall service quality. In terms of the relationship between the individual dimensions and the overall service quality rating, the adjusted $R^2 = 0.30$ was suggesting that the service quality dimensions explained 30% of the variance in the customers' overall rating. Dimensions - reliab (reliability) and atmos - (atmospherics) were statistically significant at $p < 0.0000$. Policy, the third factor showed a negative relationship to overall service quality. Of the factors, atmospherics displayed the strongest association with overall quality of service. Aspects such as employees attire, time saving technology,

modern-looking fittings and equipment, physical facilities and trustworthy brands were effective in influencing customers' overall evaluation of the supermarket service quality. This is consistent with the study conducted by Dabholkar *et al.* (1996:3-16) in which appearance and physical aspects of the store and its facilities were widely acknowledged as essential aspects of service quality and the shopping experience.

It also seems that policy is not acknowledged by customers as an essential determinant in their evaluation of overall service quality. Hypotheses, H₃ and H₄ are therefore accepted. Hypothesis H₅ is thus rejected.

TABLE 7.32 REGRESSION ANALYSIS: DIMENSIONS OF SERVICE QUALITY AND OVERALL RATING OF SERVICE

DIMENSIONS	B	BETA	T	p - level
Reliability	0.2949	0.2980	5.4127	0.0000*
Atmospherics	0.3945	0.5024	7.8090	0.0000*
Policy	-0.1024	-0.1142	-1.8337	0.0719
R = 0.5570	R² = 0.3103	Adjusted R² = 0.3069	F = 3.603	*p < 0.0000

Table 7.33 reflects the regression analysis of the three dimensions and future store patronage. On the relationship among the individual dimensions and future store patronage, the adjusted R² = 0.182 which meant that the three dimensions explained 18.2% of the variation in customer's patronage intentions. However, only reliability and atmospherics were statistically significant at p < 0.0000. The relationship was the strongest between atmospherics and future patronage intentions. It therefore seems that policy is not an important factor in making decisions with regard to store patronage. Hypotheses H₆ and H₇ are therefore accepted. Hypothesis H₈ is rejected.

TABLE 7.33 REGRESSION ANALYSIS: *DIMENSIONS OF SERVICE QUALITY AND STORE PATRONAGE*

DIMENSIONS	B	BETA	T	p - level
Reliability	0.2067	0.23056	4.7417	0.0000*
Atmospherics	0.3092	0.4432	5.6181	0.0000*
Policy	-0.0558	-0.0687	-0.9210	0.3573
R = 0.4320 R² = 0.1866 Adjusted R² = 0.1826 F= 3.603 *p< 0.0000				

Table 7.34 outlines the regression analysis of the three dimensions of service quality and store recommendation. In terms of the relationship between individual dimensions and intention to recommend the store to a friend, the adjusted $R^2 = 0.212$ was statistically significant, which meant that the service quality dimensions explained 21% of the variance of the intention to recommend the store to a friend. The reliability and the atmospherics dimensions showed significant associations at $p < 0.0000$ with the highest association being the atmospherics dimension. Hypotheses H_9 and H_{10} were therefore accepted. Hypothesis H_{11} was rejected.

TABLE 7.34 REGRESSION ANALYSIS: *DIMENSIONS OF SERVICE QUALITY AND STORE RECOMMENDATION*

DIMENSIONS	B	BETA	T	p - level
Reliability	0.1776	0.1971	3.0599	0.0000*
Atmospherics	0.3505	0.4901	6.5115	0.0000*
Policy	-0.0305	-0.0336	-0.5304	0.5959
R = 0.4656 R² = 0.2168 Adjusted R² = 0.2129 F= 3.603 *p< 0.0000				

Among the three dimensions, reliability and atmospherics seem to have the greater impact on overall service quality, store patronage and recommendation of the store to a friend. Policy turns out to be a poor predictor in this regard. It can also be observed that the dimension that has turned out to be significant in the main, relate to people and process

orientated issues such as employees' handling of complaints, politeness of staff, employees' willingness to help, employees product knowledge, employee attire, time saving technology and convenience. These findings are also in line with the results of some earlier studies that have highlighted the importance of soft issues (for example, physical aspects of the store, complaints handling, trust, politeness) in improving quality (Sureshchandar, *et al.*, 2002:69-88; Powel, 1995:15-37). According to the beta coefficients, atmospherics as a dimension makes the largest impact across the three equations and the reliability dimension is the second largest contributor to service quality.

7.5.6 Comparison of responses of the factor mean scores among the three stores

In undertaking a comparison of the stores, the factor mean scores were used. Two forms of tests were utilised, namely the Students t-test and the Cohen's d-statistic. The Students' t-test was used to establish the possible statistical significance between the mean scores of the three stores in relation to the newly established service quality dimensions (reliability, atmospherics and policy). Whilst the statistical significance test is widely used to accept and reject hypotheses, Steyn (2000:1) cautions researchers on its use especially when comparing means of two groups. He argues that in recent years, it has come under severe criticism and advocates the use of practical significance in non-probability samples. Thus in such instances, the effect size can be used to establish practical significance. Cohen's d-statistic is often used to establish the effect size to determine whether there is practical significance in means. Cohen's-d effect size (Steyn, 2000:1) is denoted as follows:

$d < 0,20$ - small effect, practically non-significant,

$d < 0,50$ - medium effect and points towards practical significance and

$d > 0,80$ - large effect and the results are practically significant.

In taking cognisance of the above, the comparison of the stores was undertaken.

□ Comparison of Stores A and B

Table 7.35 reports on the statistical and practical significance of the two stores in terms of the three dimensions of service quality. Both stores A and B showed statistical significant differences at $p < 0.0000$ for the reliability, atmospheric and policy dimensions. Cohen's d-statistic reflected a medium effect and point towards practical significance of $d = 0.629$; $d = 0.691$ and $d = 0.678$ for the reliability, atmospheric and policy dimensions respectively. This infers that whilst there are differences between the means, they are of a medium effect and point towards practical significance.

TABLE 7.35 MEAN FACTOR SCORES: STORES A AND B

VARIABLE	MEAN A	MEANS B	t-VALUE	P	N A	N B	d- STATISTIC
Reliability	1.682501	2.101988	-6.72839*	0.000	197	202	0.629812**
Atmospherics	1.405513	1.782948	-7.84521*	0.000	197	202	0.691945**
Policy	1.622972	2.005848	-6.89001*	0.000	197	202	0.678717**
* statistically significant at $p < 0.000$							
** medium effect and pointing towards practical significance							

□ Comparison of Stores B and C

Table 7.36 reports on the statistical and practical significance of the two stores in terms of the three dimensions. Both stores showed statistical significance at $p < 0.0000$ for the reliability and atmospheric dimensions. Cohen's d-statistic reflected a medium effect and pointing towards practical significance of $d = 0.409$; $d = 0.561$ for the reliability and atmospheric dimensions respectively. For the policy dimension both stores were statistically and practically non significant. This means that customers from both the stores did not vary in their perceptions with regard to the retailer's policy.

TABLE 7.36 MEAN FACTOR SCORES: STORES B AND C

VARIABLE	MEAN B	MEANS C	t-VALUE	P	N B	N C	d- STATISTIC
Reliability	2.101988	1.829127	0.000837*	0.004	202	208	0.409671**
Atmospherics	1.788948	1.476923	5.777826*	0,000	202	208	0.561031**
Policy	2.005848	1.925601	1.402152*	0.1616	202	208	- ***
* statistically significant at $p < 0,000$ *** practical non significance							
** medium effect and pointing towards practical significance							

□ Comparison of stores A and C

Table 7.37 outlines the statistical and practical significance between the two stores. Stores A and C showed statistical significance differences at $p < 0.0000$ for the reliability and policy dimensions. However, the atmospheric dimension was not statistically different between both stores. The Cohen's d-statistic showed a practical non-significance of $d = 0.221$ for both stores on the reliability dimension. For the atmospheric dimension both the stores showed statistical and practical non-significance. This means that customers from both stores did not vary significantly in their perceptions of the stores atmospheric variables. With regard to the policy dimension, both stores showed statistical and practical significance. However, the practical significance was of a medium effect, pointing towards practical significance.

TABLE 7.37 MEAN FACTOR SCORES: STORES A AND C

VARIABLE	MEAN A	MEAN C	t-VALUE	P	N A	N C	d- STATISTIC
Reliability	1.682501	1.829127	-6.72839*	0.179	197	208	0.22175**
Atmospherics	1.405513	1.476923	-1.52563	0.127	197	208	- ***
Policy	1.622979	1.925601	-5.17520*	0.000	197	208	0.49601**
* statistically significant at $p < 0,000$ *** Cohen's d-statistic not calculated as the variable was not statistically significant.							
** medium effect							

In sum, the differences in the means for stores A, B and C showed practical significance inferring that there are practical variations amongst the stores in terms of the reliability, atmospheric and policy of the retailers. Furthermore, an ordinal scale (Likert scale) was used in this study and according to Steyn (2000:1) these scales are somewhat arbitrary. Therefore, if a mean score for a certain dimension falls, for example, between 1,9 and 1,5 for any two stores, which according to the Likert scale used in this study is between agree and strongly agree, the results could hardly be interpreted as significant differences.

7.5.8 Analysis of the relationship between demographic variables and service quality

Table 7.38 reflects the socio-demographic variables in relation to the identified factors. From the table, it is evident that gender is not significantly related to reliability, atmospheric and policy variables. This implies that the three factors that emerged from the study are not in any way influenced by the gender categories. However, marital status is significantly related to the reliability factor implying that married and single consumers view the various reliability aspects of service quality differently. Age on the other hand is significantly related to all the three dimensions implying that age plays a role in establishing service quality perceptions. The study reveals that income levels are significantly related to reliability and policy aspects in shaping consumers perceptions of the quality of services offered by supermarkets.

TABLE 7.38 ANALYSIS OF VARIANCE: DEMOGRAPHIC VARIABLES AND SERVICE QUALITY

VARIABLES	df	RELIABILITY		ATMOSPHERICS		POLICY	
		F	P	F	P	F	P
Gender	1:605	1.087	0.2975	1.072	0.3008	0.702	0.4024
Marital status	4:602	2.510 *	0.0408	1.614	0.1691	1.378	0.2400
Age	5:601	6.964 *	0.0000	3.351 *	0.0054	4.406*	0.0006
Income	5:580	6.579 *	0.0000	1.027	0.4009	3.555*	0.0035

* significant at $p < 0.0500$

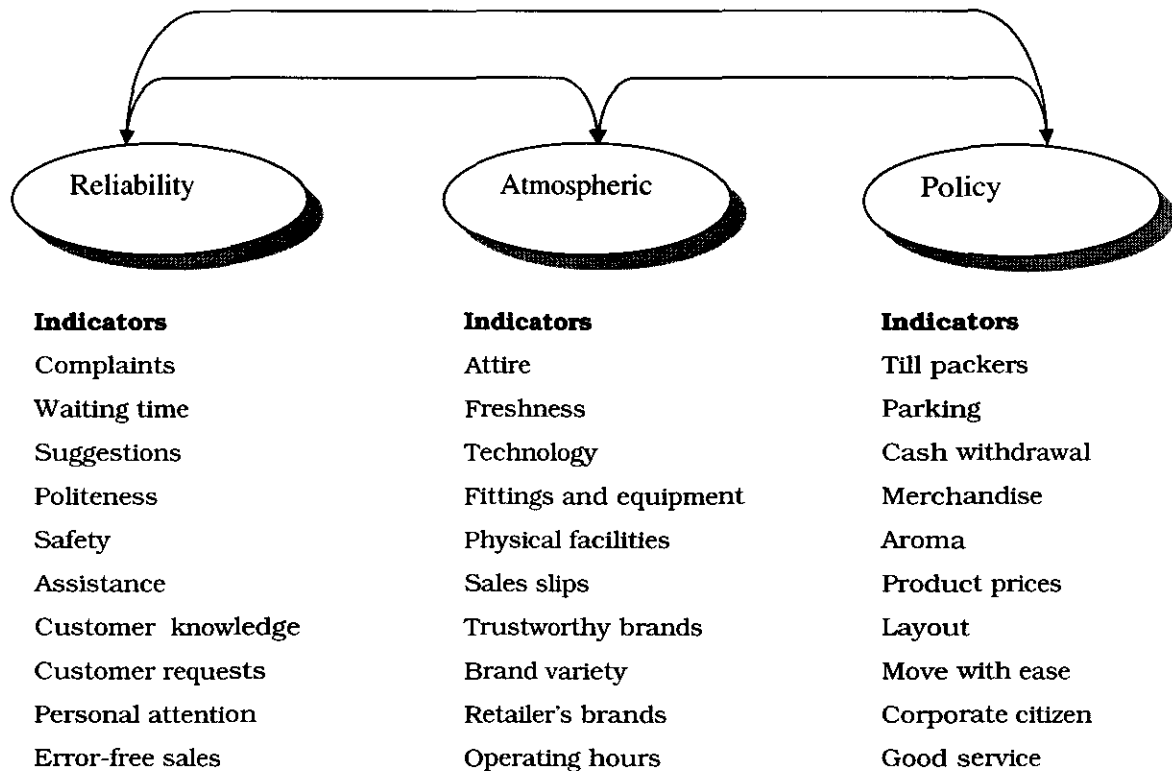
7.5.9 Establishing the goodness of fit of the proposed measurement model

Factor analysis in the preceding sections was used to establish the dimensionality of the supermarket service quality model. Having determined the dimensions of supermarket service quality, it is necessary to establish the goodness of fit of the proposed measurement model. Factor analysis is primarily an exploratory technique because of the limited role the researcher has over which variables are indicators of which latent construct (*i.e.* which variables load onto each factor). Structural equation modelling can play a confirmatory role because the researcher has complete control over the specification of indicators for each construct. Moreover, structural equation modelling allows for statistical test for goodness of fit, not possible with factor analysis.

In this study, the factor analysis procedure (refer to Section 7.5.2) indicated the existence of three factors. The model hypothesised in this section of the analysis will therefore posit three factors (reliability, atmospherics and policy). As seen in Figure 7.3 all the constructs in the path diagram are exogenous, only the measurement model and the associated covariance matrices for exogenous constructs are considered. The measurement model therefore constitutes the entire structural equations modelling effect (hence referred to as confirmatory factor analysis).

The path diagram for the confirmatory factor analysis is reflected in Figure 7.3 as exogenous constructs.

FIGURE 7.3 PATH DIAGRAM FOR CONFIRMATORY FACTOR ANALYSIS



Structural equation modelling accommodates either covariance or correlation matrix. For the purpose of confirmatory factor analysis, either type of input matrix can be employed. Covariance was used as the input data type. The Statistica Sepath Wizard programme version six was used to input the data. Annexure R contains the Sepath estimates for the model and the construct covariances. The next step was to evaluate the model fit. Many overall measures of data-model fit had been suggested in the literature in an attempt to guide researchers by which to judge whether or not particular data set is consistent with the model (Mueller, 1996:80). The most commonly used indices are the chi-square statistic, the goodness of fit and the adjusted goodness of fit, the normed fit indices, non-normed fit indices and finally the parsimonious goodness of fit. The goodness of fit measures for the confirmatory factor analysis are reflected in Table 7.39.

An attempt was made to report on all the indices in order to obtain comprehensive data fit indices for the model. The first measure is the likelihood ratio chi-square statistic. The value ($X^2=1218.5$, 402 degrees of freedom) has a statistical significance level of 0,000 below the minimum level of 0,05 (Hair *et al.* 1992:457). This statistic implies that there are differences between the predicted and actual matrices. However Joresborg and Sorbom (1993) cited in Mueller (1996:84) advocate that the X^2 value can be misleading as larger sample sizes lead to larger X^2 values. This may lead to an incorrect decision to accept or reject a causal model and therefore goodness of fit of a model to data, should be evaluated by methods besides the X^2 statistic (Boshoff, 1990:237). Bentler and Bonett (1980:588) also concurs that when using the X^2 statistic in large samples, virtually any model tends to be rejected as inadequate. Hair *et al.* (1992:457) posit the view that additional measures should be employed in evaluating the Goodness of Fit. Thus on examining the Steiger-Lind RMSEA index (root mean square error of approximation) which is = 0.066 indicates that the model fits the data reasonably well, (RMSEA > 0.05 < 0.08) come close to what MacCallum and Browne (1993:553-541) describes as “a close fit”.

The Goodness of Fit Index (GFI) is a non-statistical measure ranging in value from 0 (poor fit) to 1.0 (perfect fit). Higher values indicate better fit, but no absolute threshold levels for acceptability have been established (Hair *et al.*, 1998:655). However values closer to 1 are generally regarded as a close fit of data to the model. The Adjusted Goodness of Fit Index (AGFI), according to Mueller (1996:84) should fall in the range 0 and 1 and the recommended acceptable levels are in the region of 0.90. These values (refer to Table 7.39) indicate that the observed data reasonably fits the model as both indices are close to 1 thus indicating a reasonably good overall data-model fit.

With regard to Bentler-Bonnet Normed and Non Normed Fit Indices (NFI and NNFI respectively) and their recently extended Normed comparative Fit Index should also be close to 1 (in the region of 0.90) to indicate a good overall fit (Mueller, 1996:90).

TABLE 7.39 GOODNESS OF FIT MEASURES FOR CONFIRMATORY FACTOR ANALYSIS

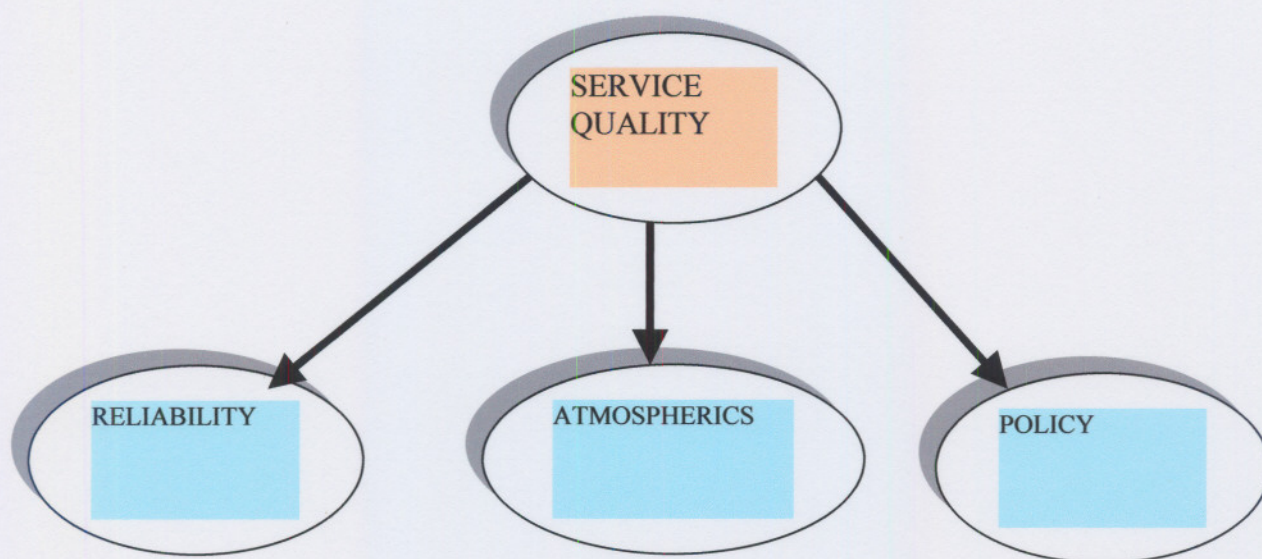
FIT INDICES	PROPOSED MODEL	NULL MODEL
Chi - square	1218.50	2092,12
Degrees of freedom	402.00	526.000
p-level	0.000	0.0000
Joreskog Goodness of Fit (GFI)	0.868	0.775
Joreskog Adjusted Goodness of fit (AGFI)	0.847	0.745
Bentler-Bonnet Normed fit Index (NFI)	0.850	0.772
Bentler-Bonnet Non normed Fit Index (NNFI)	0.885	0.806
Bentler-Bonnet Comparative Fit Index (CFI)	0.895	0.818
James-Mulaik-Brett Parsimonious Fit Index	0.785	0.724
Steiger-Lind RMSEA Index:		
Lower bound	0.058	0.083
Point estimates	0.062	0.087
Upper bound	0.060	0.090

One can conclude (refer to Table 7.39) that the overall observed data fits the model reasonably well as it is close to the recommended levels. In examining Parisimonous Fit Indices, James *et al.* (1982) and Mulaik *et al.* (1989) cited in Mueller (1996:91) are of the view that when penalising (restricting) for model complexity, the indices for the data fit should not be greatly reduced. In table 7.39 the GFI (0.868) and the NFI (0.850) is combined into a single index (*i.e.* Parisimonous Fit Index), which gives a more realistic assessment of how well the model fits the data. In examining fit indices of the model, the GFI and the NFI compared favourably with the PFI (0.785), thus implying that the model fits the data.

The next type of goodness of fit measure assesses the incremental fit of the model compared the null model. The null model was hypothesised as a single-factor model with no measurement error (Hair *et al.*, 1998:622). The estimation results for the null model are reflected in Table 7.39. A comparison of the indices of the null model and the proposed model shows

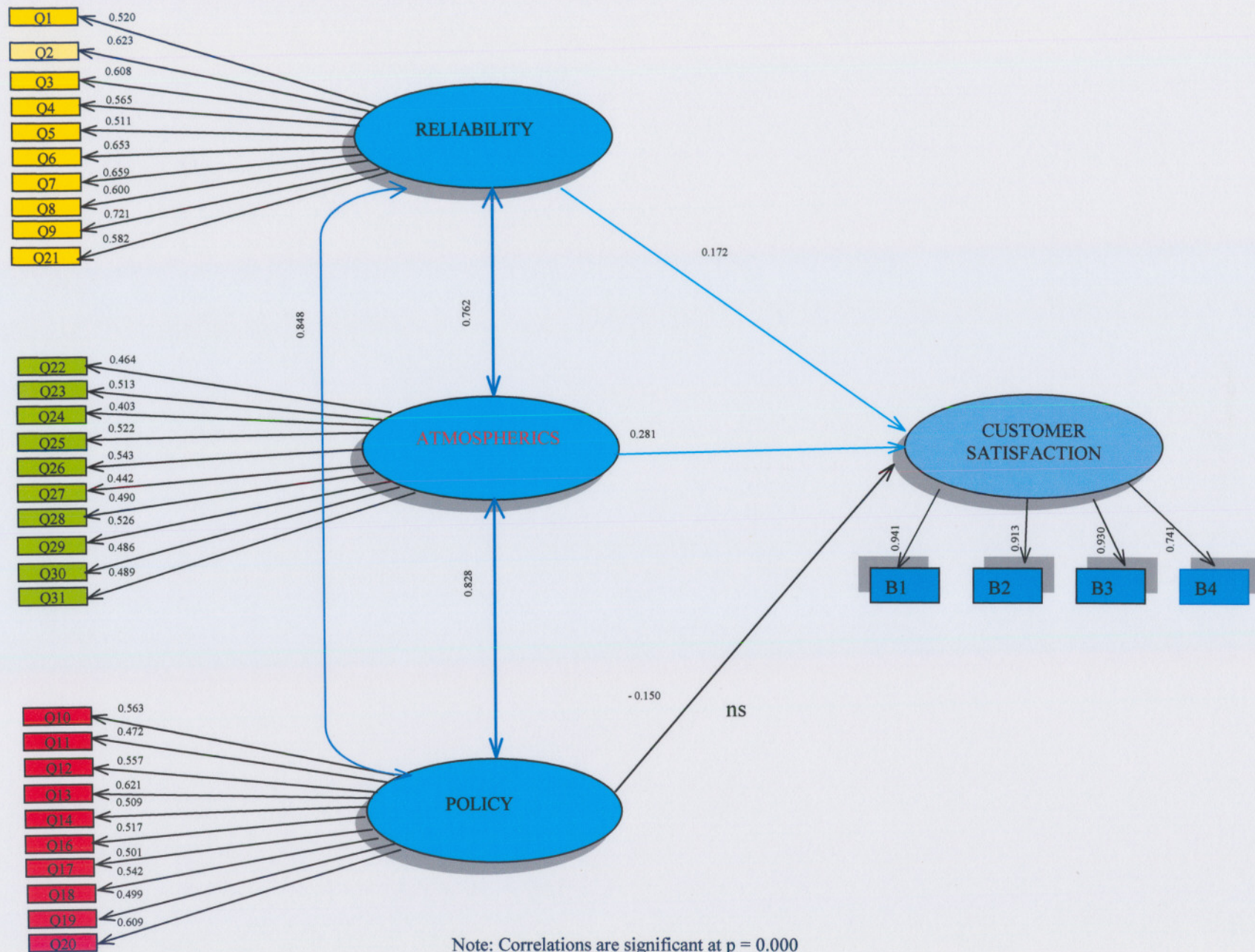
that all the goodness of fit indices deteriorated when service quality was hypothesised as a single construct, thus providing support for the proposed model. In addition the RMSEA index in the null model has an upper bound value of 0.092, which falls outside the acceptable range of 0.08 and less. The proposed dimensions for the supermarket service quality model are reflected in Figure 7.4.

FIGURE 7.4 SERVICE QUALITY DIMENSIONS



The empirical model is depicted in Figure 7.5. Reliability (0.172; $p = 0.000$) and reliability (0.281; $p = 0.000$) seem to be strong predictors of satisfaction, while the policy dimension does not seem to influence customer satisfaction. This however does not imply that the retailer's policy is not an important ingredient of the retailers service quality mix. It is also noted that policy is correlated with both reliability (0.848) and atmospherics (0.828) which implies that by enhancing perceptions of policy, a supermarket may be able indirectly to improve customer satisfaction. In summary, the various measures of overall model goodness of fit lend support for confirmation of the proposed three factor model.

FIGURE 7.5 PATH ANALYSIS FOR CONFIRMATORY FACTOR ANALYSIS



Having established the dimensions of service quality model and its goodness of fit, it is necessary to evaluate supermarket service quality with reference to the three dimensions.

7.5.10 Evaluation of service quality in terms of the three dimensions

The analysis will be undertaken in accordance with the dimensions of service quality, namely, reliability, atmospherics and the retailer's store policy. Since the Likert scale was used in the study, it allows the researchers to determine the percentage of negative and positive responses for a given variable. According to Hayes (1992:59) this can be done by combining the responses on the scale, for example, by combining agree and strongly agree categories on the scale. The explanations which follow, examine the strongest performing variable within a dimension and where necessary the weakest performing variable. Bar charts are used as they provide clear visual presentations of the performing variables. The computation of the percentages is reflected in Annexure O.

□ Reliability

The following questions (refer to Annexure K) were used to collect data with reference to the reliability of the store.

Question 1 (Q1): Employees in the store are able to handle customer complaints.

Question 2 (Q2): The waiting time at the cashier is short.

Question 3 (Q3): The store has provisions for customer suggestions and comments.

Question 4 (Q4): The public contact staff are polite to customers.

Question 5 (Q5): Customers feel safe in transacting with the store.

Question 6 (Q6): Employees in the store are always willing to help customers.

Question 7 (Q7): Employees in this store have the knowledge to answer customers' questions.

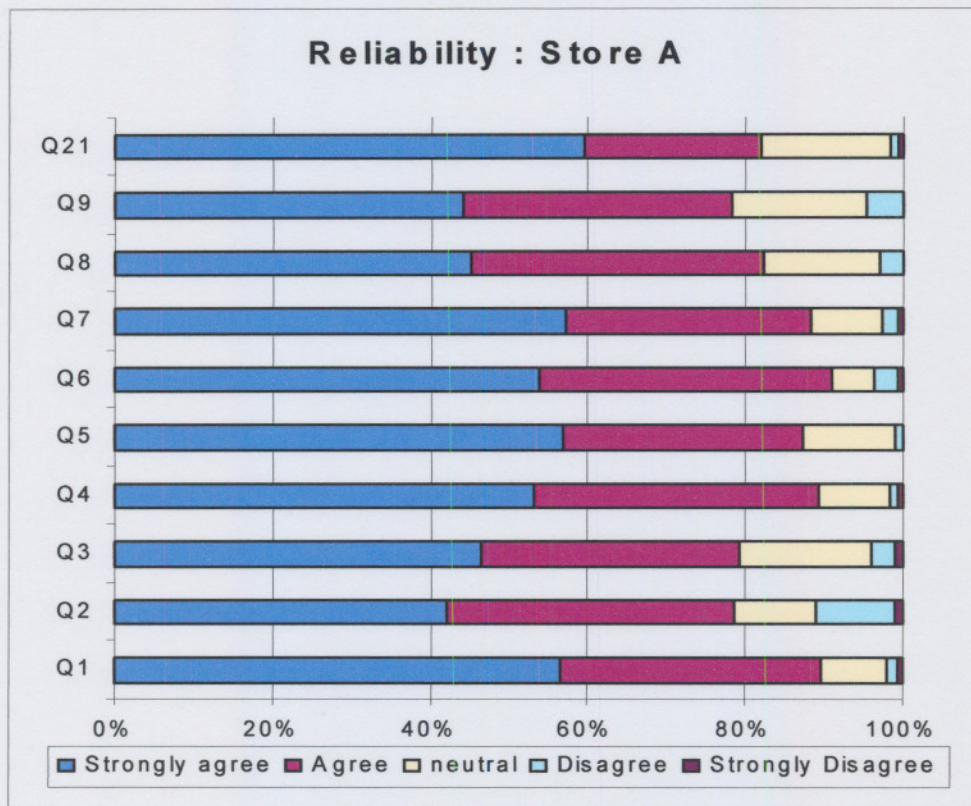
Question 8 (Q8): Employees in the store are never too busy to respond to customer requests.

Question 9 (Q9): Employees in this store give you personal attention.

Question 21(Q21): The store is characterised by error free sales transactions.

Figure 7.6 outlines the reliability variables of store A. Customers' perceptions of reliability were the strongest in the areas of complaints handling (89,74%) and employee's willingness to assist customers (90,87%).

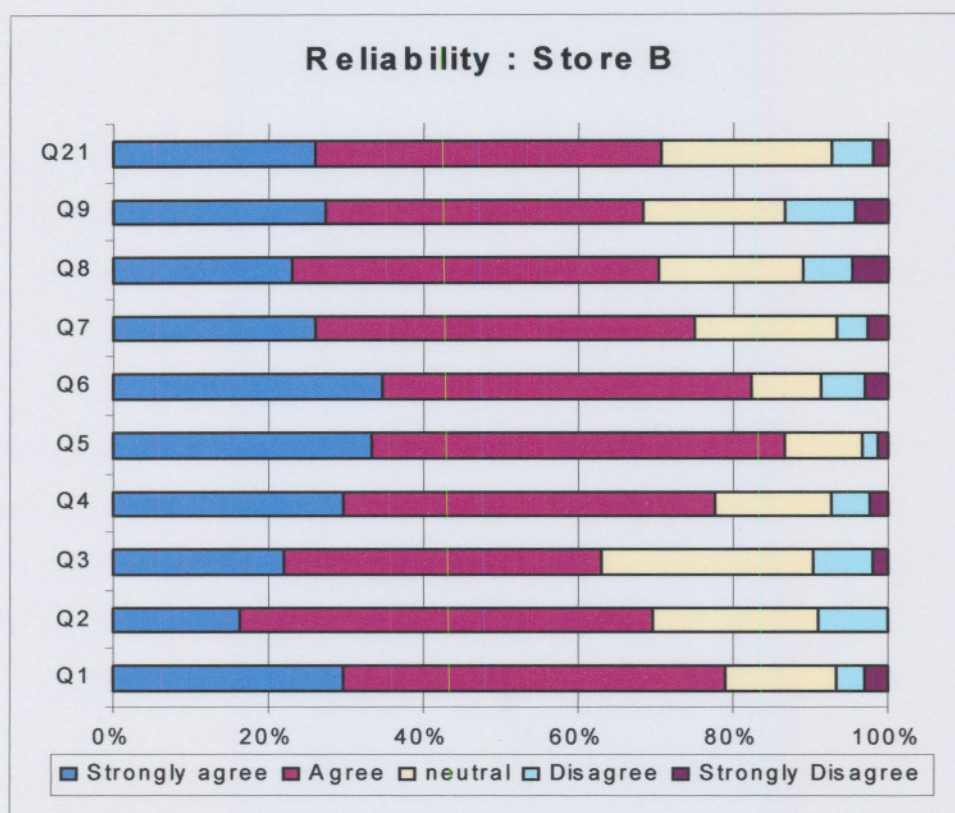
FIGURE 7.6 RELIABILITY: STORE A



Consumer perceptions of the reliability variables for Store B are contained in Figure 7.7. According to the 86.56% of the consumers felt safe in transacting with the store, whilst 68.32% of the customers were satisfied with the personal attention given to them during their service encounter.

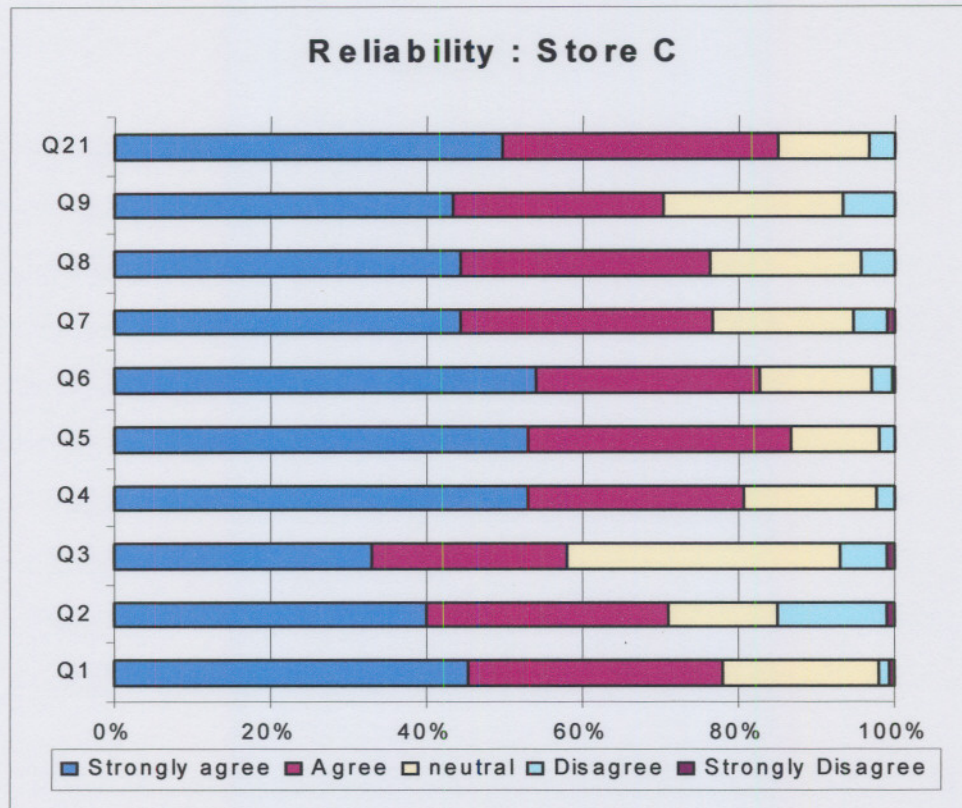
Figure 7.8 outlines the reliability variables in respect of store C. Consumer perceptions were the strongest (85.10%) in respect of the supermarket providing error free sales transactions. The figure also depicts that 58.12% of the customers agreed that the store makes provisions for customers' suggestions and comments. 34.98% of the consumers were neutral on this issue, presumably unaware that the store provides avenues for customer suggestions and comments. This may also imply that such provisions are not visible to the customers.

FIGURE 7.7 RELIABILITY: STORE B



With regard to personal attention and interaction, supermarkets are known for their low pricing merchandising strategy especially with regard to fast moving consumer goods (FMCGs) for which most of the purchase decisions are routine and do not required an intricate decision making process or the advice of the store employees. Furthermore, supermarkets are based largely on a self-service layout and personal attention is limited during the service encounter.

FIGURE 7.8 RELIABILITY: STORE C



□ Atmospherics

The following questions (refer to Annexure K) were used to collect data with reference to the atmospheric variables of the store.

Question 22: Employees in this store are appropriately dressed.

Question 23: The fresh food display is always fresh.

Question 24: The store uses time saving technology to the benefit of customers.

Question 25: This store has modern-looking fittings and equipment.

Question 26: The physical facilities at this store are visually appealing.

Question 27: Clearly specified sales slips are given to customers.

Question 28: The brands sold at this store are trustworthy.

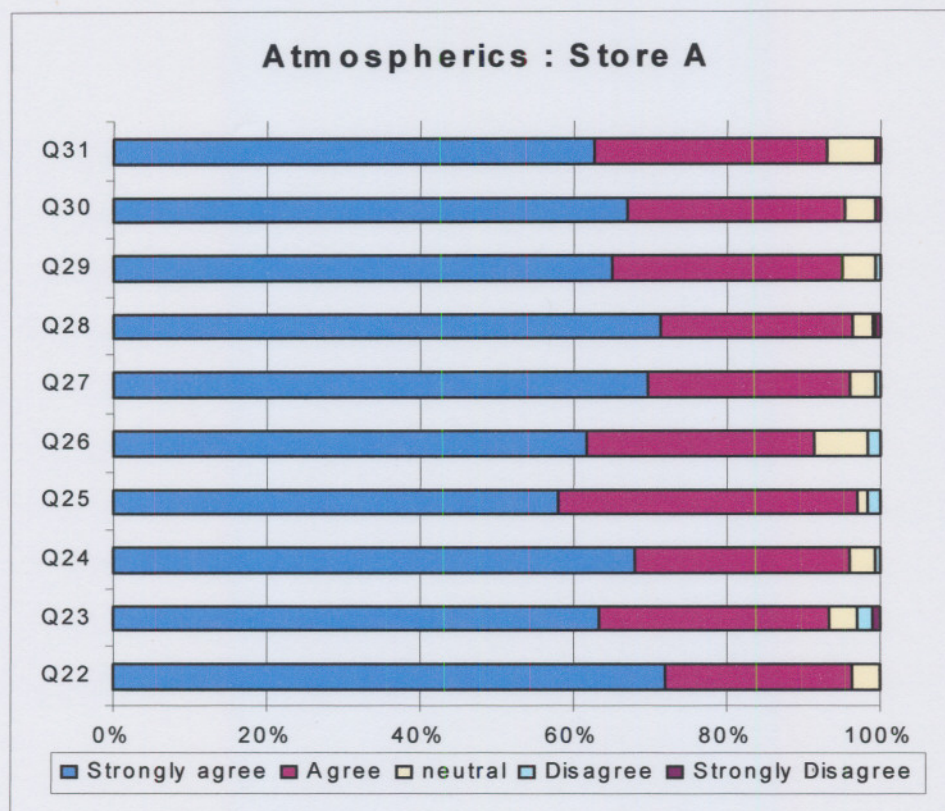
Question 29: A broad variety of brands are offered at this store.

Question 30: The retailer's own brands are of a high quality.

Question 31: The store has operating hours convenient to most customers.

Figure 7.9 reflects customers' perceptions of the atmospheric variable from store A. Customers were highly positive with regards to the modern-looking fittings (96.94%) at the store, the brands sold (96.41%) and the attire of the store employees (96.45%) at the supermarket.

FIGURE 7.9 ATMOSPHERICS: STORE A



Consumers' perceptions of atmospherics for store B are reflected in Figure 7.10. Consumers favoured the supermarket's use of time saving technology (92.58%), being issued with clearly specified sales slips (93.53) and trustworthy brands (91%).

The atmospheric variables for store C (Figure 7.11) also emerged as very positive in terms of consumers' perceptions of the store. Consumers favoured aspects of store's equipment (92.30%), time saving technology (93.75%), clearly specified sales slips (94.23%) and employee attire (92.79%).

Apparent from the analysis is that consumers are in congruency with the atmospheric variables that impact on service quality.

In sum, consumers from all three stores rated the atmospherics of the store very favourably, thus indicating that these aspects of the retailer's offerings are of a high standard. This is particularly due to the fact that the retail chain in the study has specified and standardised guidelines among stores in terms of layout, fixtures, brands offered, shopping hours and use of technology. Evident from the analysis is that retailers' brand management strategies are in line with the varied needs of the consumers. Uusitalo (2001:216) posits the view that brands can sometimes provide confidence in the purchase decision. Furthermore, the purchase and use of a brand may evoke feelings and emotions or provide a means for a person's self-expression and identity formulation (Richins, 1994:506).

FIGURE 7.10 ATMOSPHERICS: STORE B

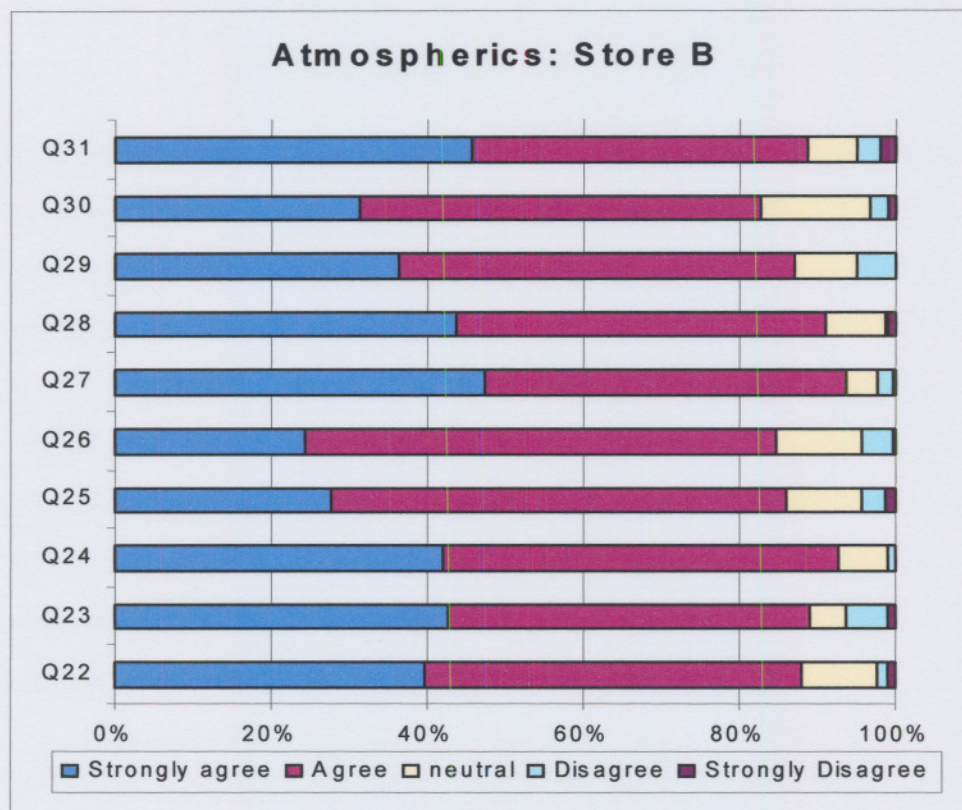
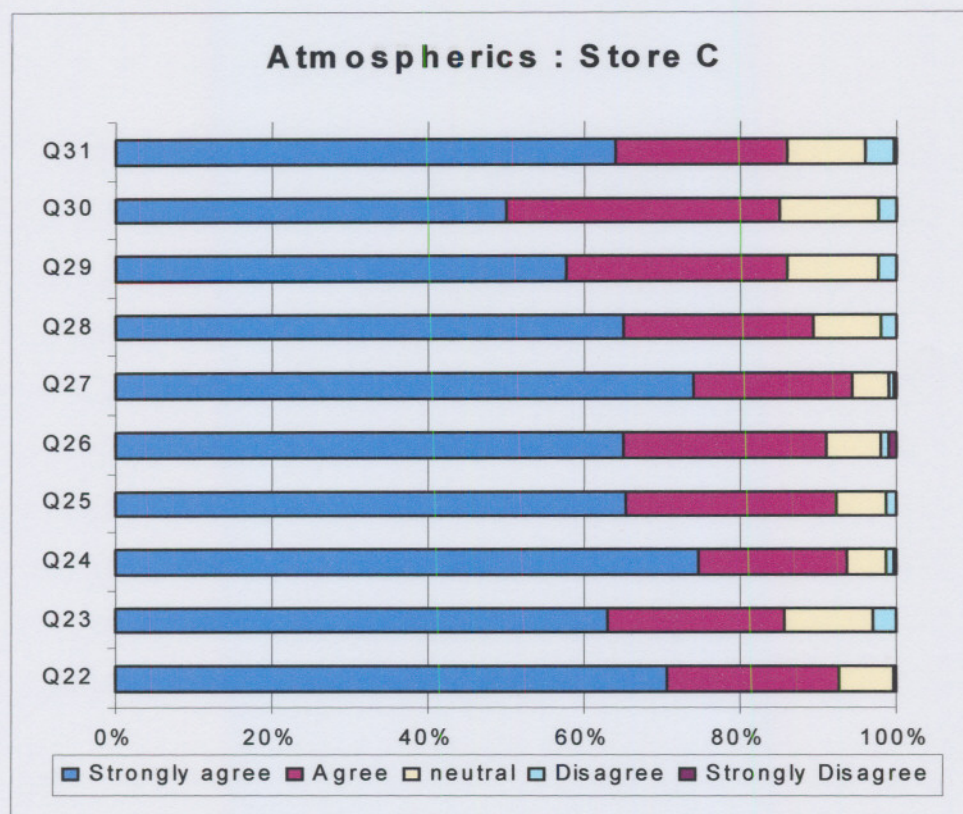


FIGURE 7.11 ATMPOSHERICS: STORE C



□ Policy

The following questions (refer to Annexure K) were used to collect data with reference to the atmospheric variables of the store.

Question 10: Adequate till-packers are available during peak periods.

Question 11: The store provides safe customer parking.

Question 12: The store layout enables customers to move around with ease.

Question 13: The store provides convenient cash withdrawal facilities.

Question 14: Stocks of merchandise are always available.

Question 16: The store is characterised by its pleasant aroma.

Question 17: Prices of products are clearly visible.

Question 18: The layout makes it easy for customers to find what they need.

Question 19: The retailer leads as a corporate citizen in ethical issues (*e.g.* environmental and health issues) in its operation.

Question 20: The store provides good service at a reasonable cost but not at the expense of quality.

Figure 7.12 outlines the variables in the policy dimension of store A. The majority (80%) of the respondents rated the policy of the store very favourably. Consumers favoured the store policy with regard to its pleasant aroma (91.88%), visible pricing (94.42%), adequate till-packers (83.25%) especially during peak periods and safe customer parking (88.72%).

Figure 7.13 sets out the variables that constituted the policy dimensions for store B. Consumers' perception of store policies seems to be consistent with store A. Safe customer parking also emerged as a salient feature (88.83%) among consumers in store B. Amongst the other variables that featured strongly were visible product pricing (84%) and the pleasantness of the store in terms of the aroma (82.18%). Of concern were that 12.12% of the customers felt unhappy in terms of the availability of merchandise. This may be disconcerting as consumers may switch stores as a result of the unavailability of merchandise.

FIGURE 7.12 **POLICY: STORE A**

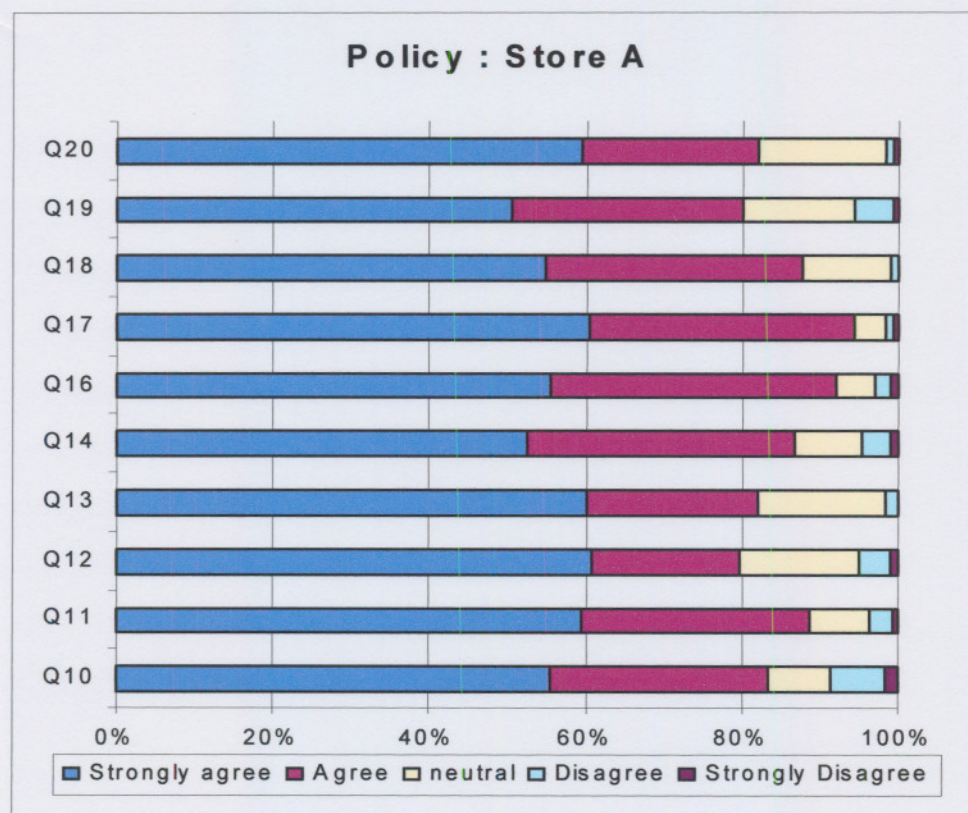


FIGURE 7.13 POLICY: STORE B

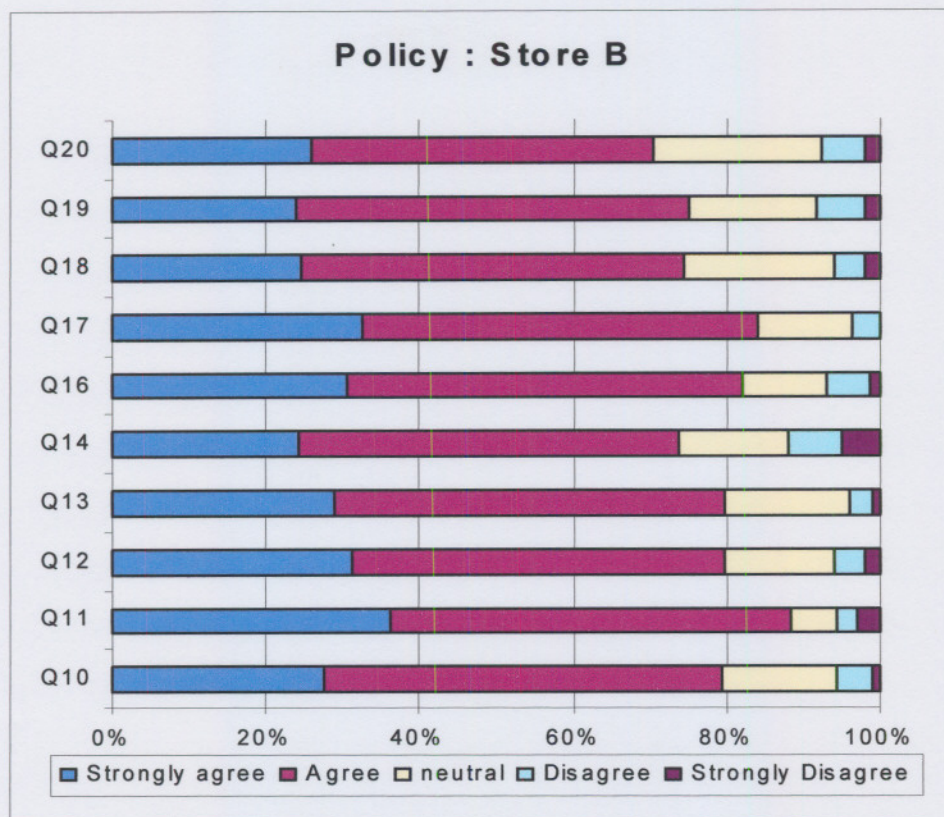
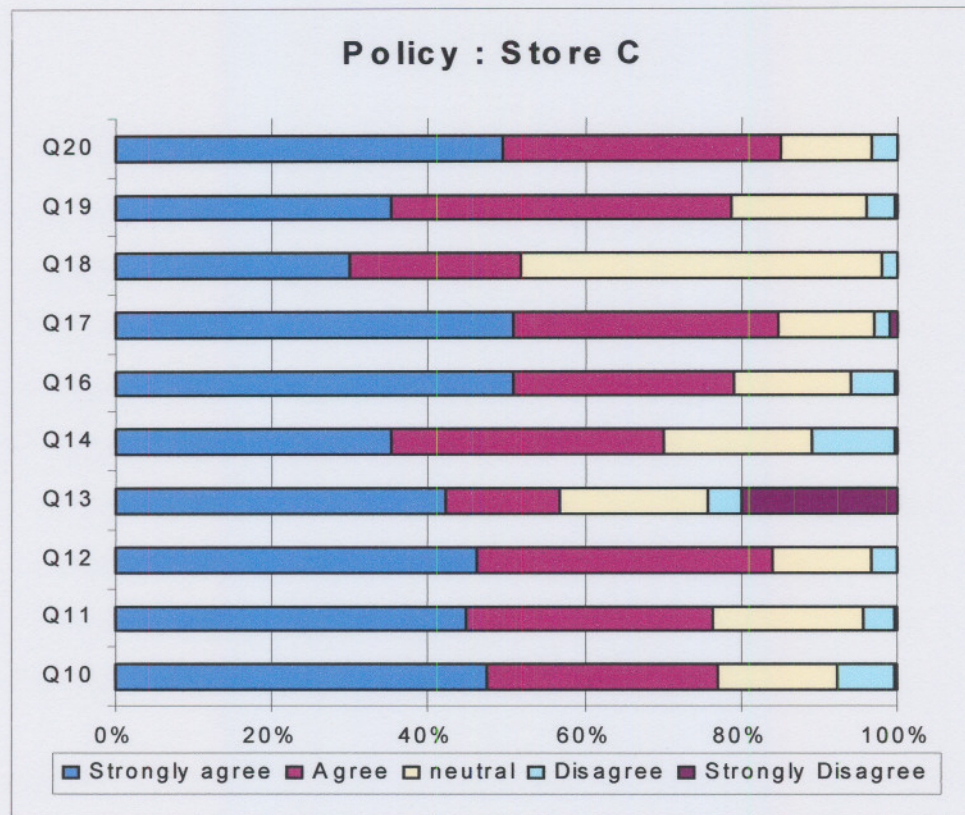


Figure 7.14 depicts the consumers' rating of the various policy variables for store C. Consumers' perception that the store provides good service at a reasonable cost but not at the expense of quality emerged as the strongest variable (85.10%), clearly indicating that the consumers value such facilities. Visible pricing (84.61%) and product layout (84.13%) were also features that created positive images of the store's policy. However, the layout within the store whereby consumers can move around with ease did not feature very positively (51.96%) in terms of consumer perception. Management could therefore pay greater emphasis in this regard. Careful layout of a store helps consumers to orientate themselves and find their way within the store.

Studies investigating customers' behaviour in a store showed that certain layout patterns were most attractive to customers (Spies *et al.*, 1996:2). It was found that most consumers move through the store in a counter

clockwise direction and they tend to avoid turns and are reluctant to divert the direction in which they are going.

FIGURE 7.14 POLICY: STORE C



7.5.11 Comparison of opinion data among the three stores

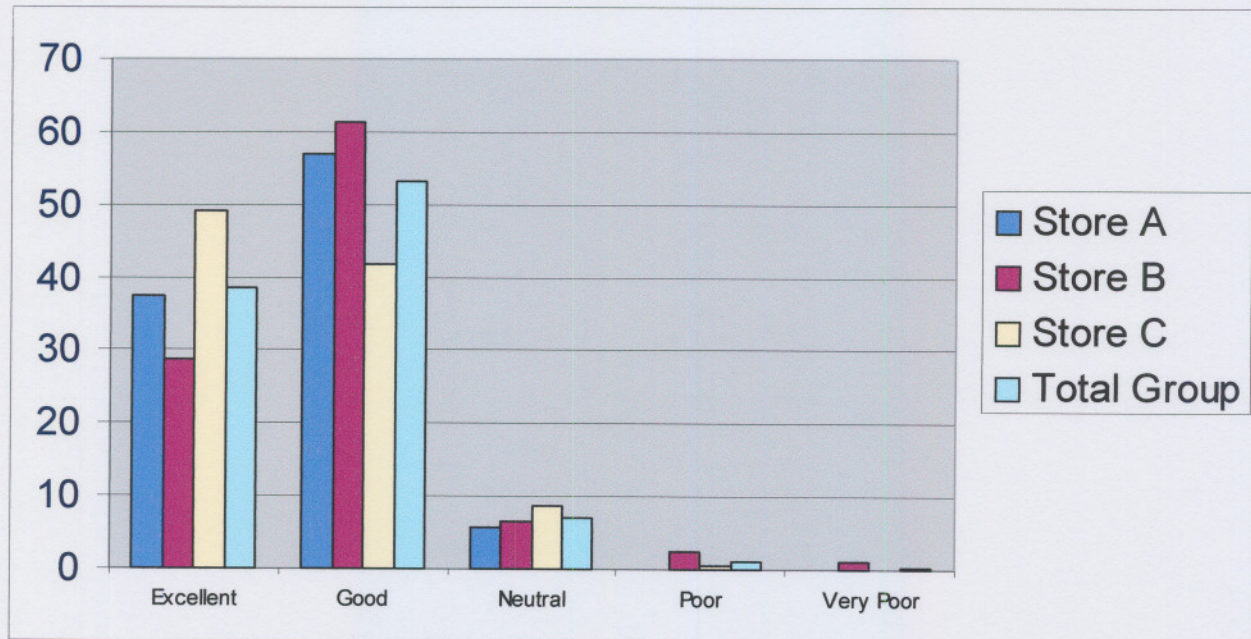
The discussion that follows pertains to the comparison of the opinion data, namely, overall service quality rating, future store patronage, recommendations of the store to a friend and complaints about the quality of services offered. Where necessary positive and negative responses were combined (for example, definitely likely and quite likely) to facilitate explanations and discussions.

□ Overall service quality rating

Figure 7.15 outlines the overall quality rating of the total sample and the three stores. With reference to the total sample, 91,76% of the consumers

rated the overall quality of services of the supermarkets as highly positive while 1 % of the consumers' felt that the quality of services offered by the supermarkets was poor. At a store level store A emerged as the best provider of service (94,42%) compared to store C (90,87%) and store B (90,10%).

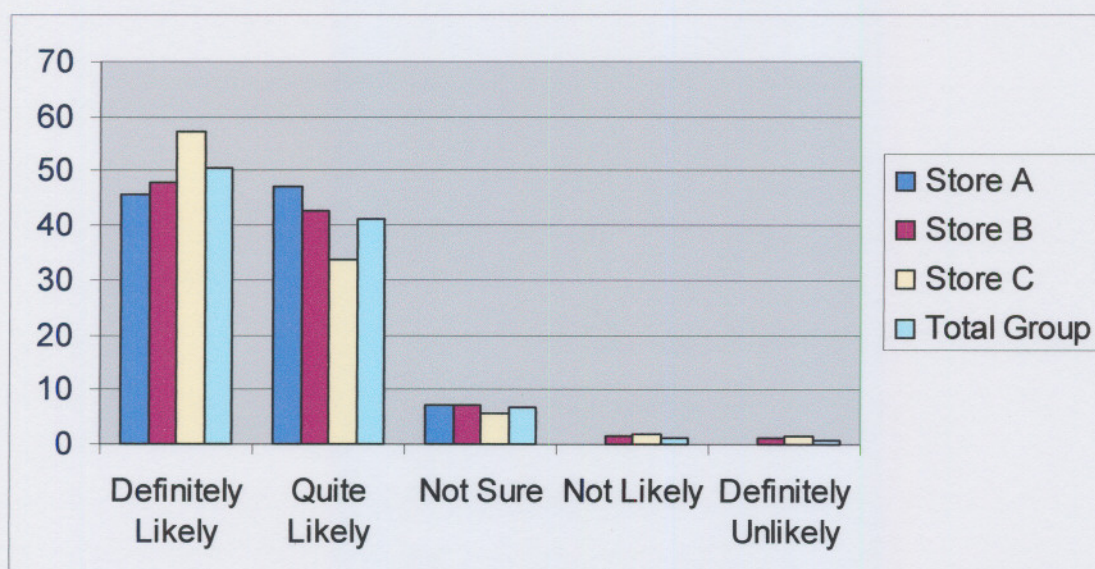
FIGURE 7.15 OVERALL SERVICE QUALITY



□ Future store patronage

A majority (91,43%) of the consumers indicated that they might continue to patronise the supermarket in the future. A total of 1,97% of the consumers were negative in terms of future store patronage. At a store level, 92,89% of the consumers from store A intimated that they would continue to patronise the store in the future, followed by store B (90,87%) and store C (90,59%). Whilst the negative sentiment towards future store patronage is small, it can have implications in terms of negative word of mouth communication. Managements of supermarkets should therefore encourage complaints reporting in order establish strategies for resolving such negative sentiments. Figure 7.16 outlines the patronage rating of consumers.

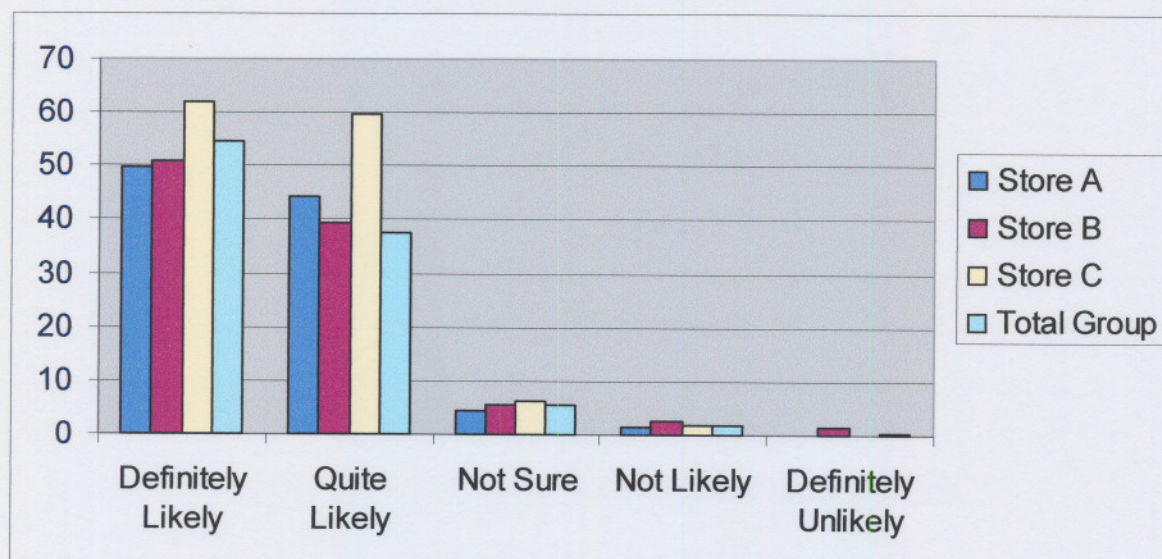
FIGURE 7.16 FUTURE STORE PATRONAGE



□ **Recommendations of the store**

Figure 7.17 outlines the store recommendation of the total sample and for each store. With reference to the total sample, 92% of the consumers were likely to recommend the supermarket to a friend, whilst 2% of the consumers reflected negative sentiments in this regard. At a store level, 93.91 % of the consumers from store A, 90.59% from store B and 91.83% indicated that they were quite likely to recommend the supermarket to a friend.

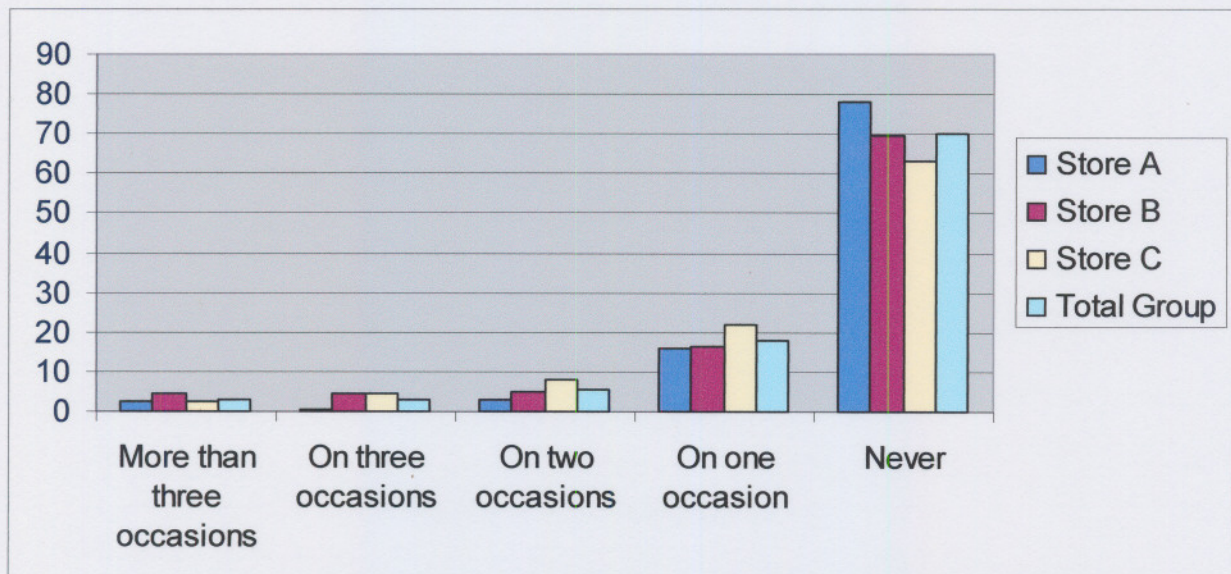
FIGURE 7.17 RECOMMENDATIONS OF THE STORE



❑ Complaints about the services offered

Figure 7.18 sets out the number of times consumers complained within the various stores and for the total sample. With reference to the total sample, 70% of the consumers did not complain about the services offered by the supermarket, whilst 17,98% of the consumers complained on one occasion, and 3,13% of the consumers complained on more than three occasions. At a store level, 15,74% of the consumers complained at least once in store A, 16,34% in store B and 21,63% in store C. Service problems and complaints according to Brown *et al.* (1996:25), are excellent sources of information about the retailer's offering. Armed with this information retailers can institute changes to improve their quality of service (Levy & Weitz, 1998:593). Consumers have a choice in terms of complaints. They can bring the complaints to the attention of the management of the supermarket or switch to a competitor. Rather than dwelling on the negative aspects of customer complaints, management should focus on the positive opportunities that complaints generate.

FIGURE 7.18 COMPLAINTS ABOUT SERVICES OFFERED



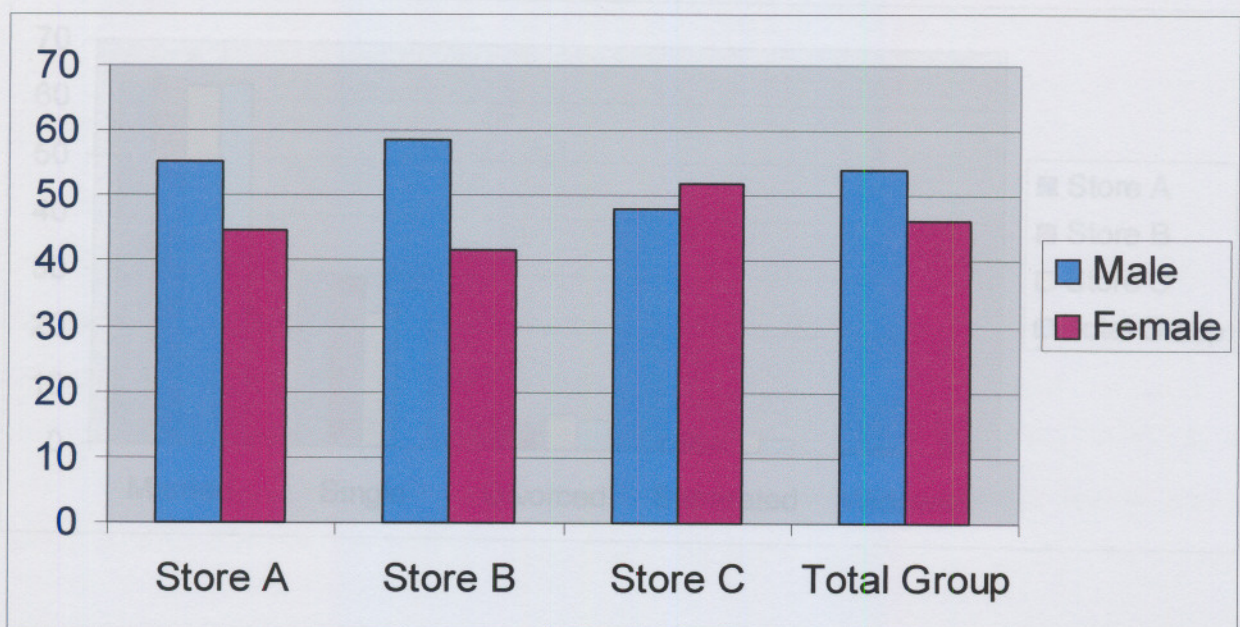
7.5.12 Comparison of classification data among the three stores

The discussion that follows pertains to the comparison of the classification data, namely, gender, marital status, age and income of the total sample and the three stores.

□ Gender

Figure 7.19 sets out the gender of respondents. There were more male (53.87%) than female (46.13%) respondents. At a store level, stores A and B reflect a larger male patronage (55.33% and 58.48% respectively). However store C clearly shows the changing role of women in purchase decisions where the majority (51.93%) of the respondents were women. In the present era, while the male still seems to be the head of the family's purchase decisions, the percentages clearly reflect that this role is gradually changing. This may be due to the changing roles of women in the decision-making processes and the dual income family units. Women's changing roles in the family, coupled with career pressures, can create significant opportunities for supermarkets in terms market segmentation.

FIGURE 7.19 GENDER OF RESPONDENTS

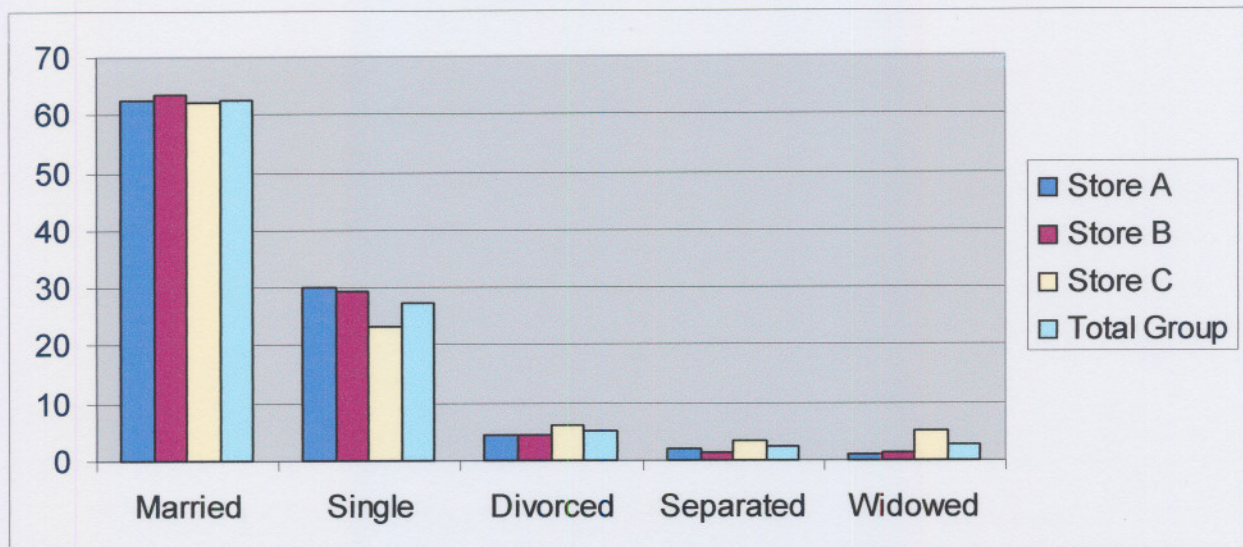


is important to supermarkets. At the store level, these age categories were also consistent. The results are reflected in Figure 7.21.

□ Marital status

Figure 7.20 depicts the percentages in terms of marital status. It seems that married consumers constitute a larger percentage (62,63%) of the consumer market with regards supermarkets. At a store level the percentage of married consumers is consistent (62%). Managements of supermarkets should target this segment of the consumer market in their service offerings.

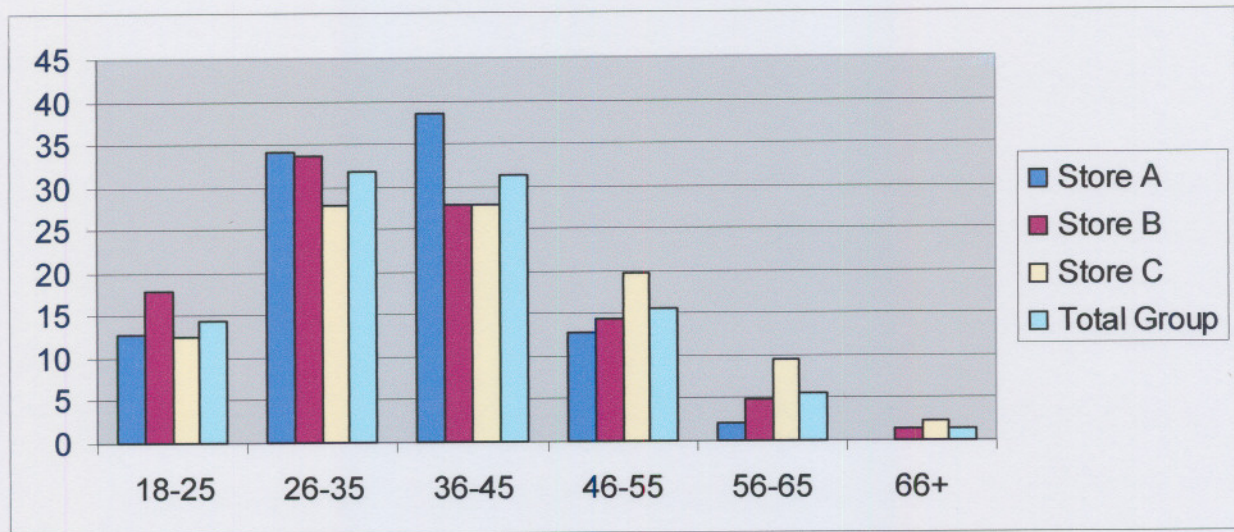
FIGURE 7.20 MARITAL STATUS OF RESPONDENTS



□ Age

A majority (63.20%) of the consumers in the study were between the ages of 26 and 45 years. The study therefore reflects that this segment of the market is important to supermarkets. At the store level, these age categories were also consistent. The results are reflected in Figure 7.21.

FIGURE 7.21 AGE CATEGORIES OF RESPONDENTS

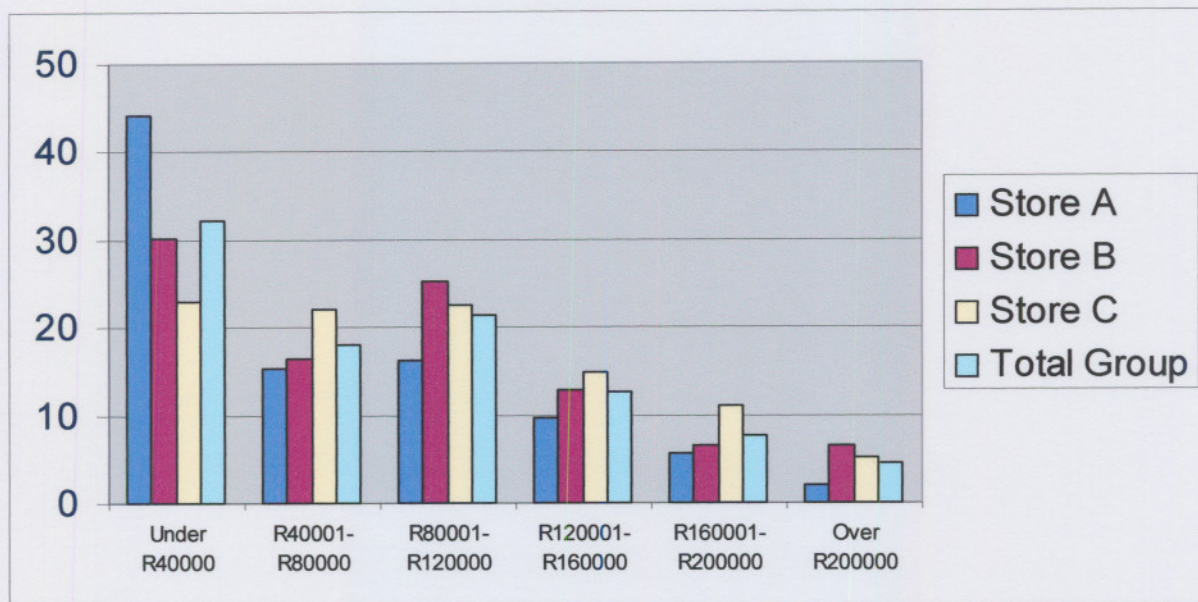


□ Income

Figure 7.22 depicts the different income categories of the respondents. The majority (71.66%) of the respondents who participated in the study earned between R40 001 and R120 000, with 24.87% earning above R120 000. A small percentage (3.46%) of the respondents considered income levels as personal and did not furnish details regarding their salary.

At a store level, these figures were consistent for stores A and B as 75.63% of the consumers in store A, and 71.78% of the consumers in store B earned between R40 001 to R120 000. In store C, 67.9% of the consumers earned between R40 001 to R120 000. However, 31.25 % of the respondents from store C earned an income from R120 001 to over R200 000. A plausible explanation for this that store C is situated in a highly dense industrial area whose employees are trained specialists in engineering and other fields and thus command relatively high salaries. Overall it seems that the lower and middle-income earners are the more appealing market for supermarkets.

TABLE 7.22 INCOME CATEGORIES OF RESPONDENTS



In this context the supermarkets' differentiation, segmentation and positioning strategies should be aimed at appealing to the majority rather than the smaller sub-segments of the population in terms of age, marital status and income levels.

7.6 SYNOPSIS

The focus group was used as a starting block in the scale development process. This was followed by a detail discussion and analysis of the various pilot stages in refining the measuring instrument. The scale refinement process entailed five distinct stages during which factor analysis was undertaken. The reliability of the scale for the total sample and at the dimension level was established by computing the Cronbach alpha values. During the scale purification process item reduction was undertaken by examining:

- the item to item correlation,
- items with multiple loadings,
- item to total correlation' and
- insignificant loadings (< 0.30)

The forty-item scale was eventually reduced to thirty-one variables with five dimensions. These thirty-one variables were then utilised in the main survey and administered to a sample of six hundred and seven respondents in a mall intercept type of interview. Refusals were in the region of 30%.

The data was then subjected to descriptive statistical analysis, which reflected that the sample was relatively homogeneous. The factor analysis procedure was re-run, initially un-rotated, followed by Varimax normalisation. Thirty variables emerged as distinct factors loading onto three interpretable factors, namely, reliability, atmospherics and retailer's policy. The reliability analysis, which followed the factor analysis reflected alpha values ranging from 0,901 to 0,850 indicating high internal consistency amongst variables within each dimension.

The empirical analysis then advanced to a stage where the validity of the study was established, namely, by content, convergent, discriminant and predictive validities. The exploratory factor analysis was further confirmed by the use of confirmatory factor analysis and structural equation modelling to establish the goodness of fit of the proposed model.

The comparison between the factor mean scores was undertaken among the three supermarkets, initially by using the students *t*-statistic, followed by Cohen's *d*-statistic to establish significant and practical differences respectively. Whilst the *t*-test showed significant differences between the three stores, Cohen's *d*-statistic showed a medium effect pointing towards practical significance.

Finally the analysis and interpretation concluded by an evaluation of each store in terms of the three service quality dimensions, the opinion data and the classification data.

In the final chapter, the conclusion, research questions and research objectives are re-examined to establish whether they have been answered. Finally the contribution of the study, recommendations emanating from the study and implications for future research are presented.

CHAPTER

8

CONCLUSION AND RECOMMENDATIONS

8.1 GENERAL REVIEW

The importance of service quality amongst supermarkets has been appropriately focused in the previous chapters. This study utilized customer-based data to provide actual perceptions of quality service, thereby resulting in an instrument that can be used by supermarket managers to assess the effectiveness of service delivery strategies.

The main conclusion that has emerged from the study is that reliability, atmospherics and the retailer's policy are key in creating and sustaining service quality. Reliability means performing the services right the first time. It is the extent to which employees can be depended on to perform services correctly and consistently (Getty & Getty, 2003:94). Atmospherics refers to physical characteristics associated with the service encounter. Policy refers to the retailer's service offering in terms of safe parking, prices and in-store facilities.

Hence, the reliability aspects between front-line employees, who deliver the service, and the customer who experiences the so called "moments of truth" are important factors in determining the quality of service offered and are indicators of customer satisfaction.

Equally important is a retail firm's service recovery programmes. They afford a retail firm a "second chance" to meet customers' expectations of service. Management should not view complaints as something to be feared and discouraged. According to Terblanche (1998:379) a firm's image may be enhanced and customers may associate a lower risk with purchasing a firm's product, if it has a reputation for handling complaints satisfactorily.

Employee courteousness, deportment and behaviour are important ingredients in the service quality mix of supermarket.

Berry (2001:133) outlines five interlocking ways (refer to Table 8.1) of creating value to customers.

- ❑ Solving customers' problems. It has become commonplace for retailers to talk about selling solutions rather than products or services. Customers usually shop for a reason: they have a problem, a need, and the retailer hopes to provide the solution. Focusing on solutions means employing staff that know how to help customers.
- ❑ Treat customers with respect. Disrespectful retailing is not just about bored, rude, and unmotivated service workers. Cluttered, poorly organized stores, and confusing prices all show lack of respect for customers.
- ❑ Connect with customers' emotions. Retailers place too much emphasis on prices. The promise of low prices may appeal to customers' sense of reason, but it does not speak to their passions.
- ❑ Set the fairest (not the lowest) prices. Constant sales, markdowns on over-inflated prices, and other forms of pressure pricing may boost sales in the short term, but winning customers' trust through fair pricing will pay off in the long term.
- ❑ Save the customers' time. Retailers often contribute to this problem by wasting customers' time and energy in various ways, from confusing store layout to inefficient checkout operations.

Table 8.1 depicting the pillars of solid retailing as espoused by the author is found on the next page.

TABLE 8.1 PILLARS OF SOLID RETAILING

	INFERIOR RETAILERS	SUPERIOR RETAILERS
SOLUTIONS	Gather products, stack them on shelves, put price tags on them, and wonder where their customers are.	Consider what people really need and how they can meet that particular need better than competitors can.
RESPECT	Are staffed by people who Do not know what customers want.	Actually train and manage the salespeople they hire so that they are courteous, energetic and helpful.
EMOTIONS	Act as if customers make purchases solely according to cold logic.	Recognise that everything about a retail experience sends a message to customers that goes to the heart, not just to the brain.
PRICING	Focus exclusively on low prices, often because they have nothing else of value to offer customers.	Focus on having fair prices instead of playing games with "special offers", fine print, and bogus sales.
CONVENIENCE	Are open to business when it is convenient for them, close checkout lanes when it is convenient for them.	Understand that people's most precious commodity in the modern world is time and do everything they can to save as much of it as possible for their customers.

Source: Berry, 2001:136

A proper service quality programme can therefore enhance the value received by customers and at the same time help supermarkets gain a competitive share in the market.

The objectives of the study were stated as follows (refer Section 1.3)

8.1.1 Theoretical objectives

- ❑ To define and describe from literature, the nature of services and service marketing.
- ❑ To carry out a literature synthesis on service quality, service encounters and service quality models in order to integrate previous research on service quality in developing the dimensions for service quality.

8.1.2 Empirical objectives

- ❑ To evaluate the dimensionality of the proposed service quality model.
- ❑ To establish the reliability of the proposed service quality model.
- ❑ To ascertain the validity of the proposed service quality model.
- ❑ To evaluate the impact of the proposed service quality dimensions on future store patronage.
- ❑ To evaluate the impact of the service quality dimensions on overall service quality.

The empirical objectives were addressed by investigating and answering the following research questions.

- ❑ What are the dimensions used by consumers in evaluating supermarket service quality?
- ❑ How reliable is the proposed service quality scale?
- ❑ What relationships can be observed between the proposed service quality dimensions and future store patronage?
- ❑ What relationships can be observed between the proposed service quality dimensions and overall service quality?

Objectives one and two were addressed in Chapters two, three, four and five. Objectives three and research question one were addressed through focus group interviews (refer to Section 7.2) and the factor analysis procedure (refer to Sections 7.3 and 7.5.2) where the data set was subjected to the

scale purification processes with eventual establishment of the three dimensions, namely, reliability, atmospherics and policy.

Objective four and research question two were addressed through reliability analysis (refer to Sections 7.3.1 and 7.5.3) where the reliability was assessed by the computation of the Cronbach alpha values for the overall sample and for the three dimensions separately.

Objectives five, six and seven and research questions three and four were addressed through content validity and the computation of the correlations and regression analysis in order to establish the scale's convergent, discriminant and predictive validities (refer to Section 7.5.4).

8.2 CONTRIBUTIONS OF THE STUDY

Supermarkets periodically to measure their levels of service quality offered can use the proposed measurement model. More specifically the scale can serve as a diagnostic methodology for uncovering broad areas of a supermarket's service quality, shortfalls and strengths.

In addition the use of the scale can be supplemented with additional qualitative research methods (for example, focus group interviews) to uncover the causes underlying the key problem areas.

The instrument proposed maybe useful for gathering data that can be utilised to benchmark current levels of service quality amongst stores within a chain of supermarkets or with competitors. Overall quality differences and differences in performances on individual quality dimensions can be used as a basis for evaluating the relative performance of each supermarket within a chain.

A further application as a diagnostic tool lies in the use of the instrument to analyse service quality at the overall level and at the dimension levels.

8.3 RECOMMENDATIONS

Based on the literature study on service quality, and feedback on the questionnaires sent to customers and analysis, the following recommendations, which should prove useful to the management of supermarkets, are suggested.

- The study demonstrated that customers attach great importance to the **atmospheric** variable (physical aspects), the **reliability** and the **policies** of the retailer. For supermarkets to establish or enhance service quality, they have to ensure that staff is polite and courteous to customers, have the knowledge to answer customer questions and handle complaints effectively and promptly. Atmospherics and reliability seem to be strong predictors of overall service quality, store patronage and recommendation of the supermarket to friends. Managements of supermarkets should place greater emphasis on the atmospheric and reliability variables in order to enhance service quality perception among consumers. While the retailer's policy may not seem to be a strong predictor of overall service quality, store patronage and recommendations of the store to friends, its value should not be underscored.
- Supermarkets should encourage their staff to **initiate contact with customers**, rather than waiting to be approached by them. This can not only help customers feel good about their visit but can also save them time. Training in skills such as body language, self-confidence and sound knowledge of a retailer's philosophy are important. Given the comparatively low level of direct staff involvement in a supermarket shopping experience, this involvement has a significant and frequent effect on customer perceptions (Terblanche & Boshoff, 2001:114). Research undertaken by Naylor *et al.* (2000:14) also supports the view that perceptions of retail experiences amongst customers are lowest when there was no contact with staff, and highest when staff approached them.

- To satisfy the customer, employees need to **integrate both job and interpersonal skills sets**. Possessing only one may not be a substitute for the other. Management should place equal emphasis on the two different types of skills in their personal development programmes. Unprompted or unsolicited employee actions such as special attention and un-requested service are predominant characteristics of a memorable service encounter. Rudeness, being ignored by employees and slow service lead to dissatisfactory encounters. One also notes that South Africa, being a developing country, has a fair mix of sophisticated and unsophisticated customers. It is necessary to bring to bear upon employees, the importance of first-world retailer-customer values. This does not only mean upgrading training programmes, but at the same time taking into account local circumstances. Two aspects that spring to mind are those of language and cultural norms and values. In this way management can go a long way in closing the communications gap. Gabbott and Hogg (2000:386) found that people read more accurately the non-verbal behaviour of others who are culturally, linguistically and racially similar.
- Management needs to stress forcefully **complaints management** as a tool for discovering customer dissatisfaction, to learn how to handle the situation, compensate for the mistake and explain why it happened. Efficient service recovery cannot compensate for poor quality service delivery, but it can go a long way towards reducing the harmful impact of this. Complaints also allow the retailer to interact with customers and acquire detailed information about the service and merchandise. Handling complaints is an inexpensive means to isolate and correct service problems. This could assist in closing the delivery gap (Zeithaml & Bitner, 2000:486).
- Coupled with the above, management needs to **empower front-line staff** so that they can take the responsibility for service recovery. The reasons are two fold. Firstly, front-line staff through their frequent contact with

customers, know their needs better and secondly, their involvement frees management to concentrate on more strategic issues in the firm.

- ❑ With regard to adequate provision being made for **suggestions and comments**, managements of supermarkets should highlight such aspects of services as it provides a vital avenue for feedback on the stores' services.
- ❑ Enhanced service quality also requires management to ensure that the **physical facilities** used in the service delivery process are neat, modern-looking and appealing. In addition there should be evidence of brand variety, which is trustworthy. In this way supermarkets will not only be able to differentiate themselves but also project a positive image to customers, which in turn increases customer retention and loyalty. Customers also use these inferences on which to base their purchase decisions (Hoffman & Bateson, 2002:221). All customers are not created equal. Therefore, keeping the right customers is as critical to success as acquiring new ones. Development of customer retention strategies add value and in turn builds customer loyalty.
- ❑ **Store policies** should be responsive to the needs of the customers. Store policies such as in-house cash withdrawal facilities, payment of utility bills and safe customer parking are essential ingredients of enhanced service quality and customer satisfaction. The role of technology should not be underestimated. New technology and interactive marketing can create new opportunities for supermarkets. Retailers can use technology to simplify and improve the services offered to customers. Routine and repetitious tasks can be handled by a system, thus freeing employees to deal with more important customer requests and problems.
- ❑ Finally, management should be the foremost **practitioner of leadership**. It should design and spread quality policy for all parts of the business and then divide the responsibility within the organisation. Service quality should be part of the leadership and the firm's culture.

8.4 IMPLICATIONS FOR FUTURE RESEARCH

This study has identified categories that are important to customer perceptions of service quality in supermarkets. However, it also raises a number of issues outlined below which could benefit from future research.

The interpersonal category (the human element) recorded a number of incidents in the focus group interviews. There would be value in additional work to analyse these incidents further to try to establish a more detailed perspective on the key influencing factors.

Previous research (refer Section 3.6.2) has shown that price is not often an indicator of quality. Should supermarkets continue to emphasise low prices in their competitive strategies, or should they accept the risk of asking customers to pay a premium for enhanced services?

The sample was more representative of the white target market of the supermarket chain. Some other possibilities for future consideration could include cross-cultural comparison of different cultural groups. Cross-cultural comparison of service quality perceptions may provide rewarding research in South Africa. Do different cultural groups have varied perspectives of service quality in supermarkets?

8.5 CONCLUDING REMARKS

Although Managements of supermarkets can pride themselves on many success areas in service quality, with increasing competition efforts will have to be continuously focused on service excellence.

Managements need to take heed of training employees so that they are empowered to take actions for their personal development.

Management should create an environment that nurtures and encourages employee initiative. For employees to be truly empowered, managers have to give up some control and engage in a more supportive management style. Developing employee confidence and skill is critical.

Customer satisfaction and service quality depends much upon interaction, feedback, praise and complaints. Complaints have to be looked at in a constructive, positive and professional manner. Complaints are a useful way of measuring performance and allocating resources to deal with deficient areas of the business. This means a paradigm shift from the way in which stores and customers related in the past. A key precept of present day retailing is that a customer does not anymore depend on a store but that the converse is true. This makes the difference between successful and unsuccessful enterprises.

Greater emphasis needs to be placed on employee commitment and customer involvement. This requires challenging and engaging tasks, good human relations with customers, co-workers and management. This also has a bearing upon the salaries or wages paid to employees. Unskilled and poorly paid employees can help little in the success of the store.

Gerstner (cited in Schiff, 2001:04) aptly sums up service quality in the competitive retail environment as, "being best in class in service quality is not the result of any one person's effort-it comes from leadership, focus and passion at every level of the organization".

A comprehensive instrument framework has been proposed which can be used to measure and understand customer perceptions of service quality in a supermarket context. It is hoped that the findings of the study will help to advance an archetype of service quality based on the identified three dimensions in order to comprehend better the concept of service quality and its constituents.

In conclusion, however important customer satisfaction and service quality are, they cannot be bought at any price. Ultimately the decision to invest in such programmes has to be a trade-off between the cost of making those improvements and the potential gain from doing so.

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