

CHAPTER II

THEORETICAL BACKGROUND

2.1. Retailing

The retail environment today is changing more rapidly than ever before (Dabholkar, 1996). It is characterized by intensifying competition from both domestic and foreign companies, a spate of mergers and acquisitions, and more sophisticated and demanding customers who have great expectations related to their consumption experiences (Sellers, 1990; Smith, 1989). To succeed, retail salespeople need to accurately identify the needs of their customers then accommodate sales representation to the individual customer.

2.2. Customer Satisfaction

In retail and other service environments, the interaction between customers and frontline employees is likely to importantly affect customer perceptions of the shopping and consumption experience. High quality interactions with service providers often result in customer satisfaction despite problems with other aspects of service delivery, whereas dissatisfying experiences with service providers have the potential to ruin otherwise pleasant service encounters. Service providers often are the organization in customers' perception, and their attitudes, expressed verbally and non-verbally during customer interactions, may leave a lasting impression that affects satisfaction, repeat buying, and financial performance (Brown and Lam, 2008).

2.3. Service Quality

It is important for the company to have good service quality. If the service exceeds customer expectations, it can lead to customer satisfaction; in the long run can lead to customer

loyalty. Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Victor P. Lau, 2007). What makes it more complex is that different customers find different features significant in the same service. Retail customers tend to appreciate if the service is rendered in an esthetical store, by employees having a well-mannered appearance, proper skills and capable of providing enough information on the products. In the same way, the customer will value if there is a chance to try the products or use other complementary services (e.g. home delivery). Service quality is one of the ways for the company to create a competitive advantage against competitors. Specifically, within the supermarket sector, Vazquez et al (2001) and Huang (2009) found:

a. Physical aspects

The concept of physical aspects is defined as the retail store appearance and store layout. The store environment, facilities and even imagery thereof have become factors which retailers can use to gain the competitive edge and influence customer satisfaction. Physical environment plays a particularly important role in the service encounter of the grocery sector and exemplary retailers insist on store cleanliness, as well as a layout that enables customer orientation and product identification.

b. Reliability

The construct of reliability measures the store's ability to deliver the service that has been promised to customers accurately, and without error. This implies that the store must practice a philosophy of getting it right first time, all the time. It must be able to keep its promises, meet deadlines and provide timely and accurate information to customers. Accurate information includes clear product pricing, as well as correct and precise

information regarding the product. Furthermore, reliability also refers to the store being able to have merchandise available when required.

c. Personal interaction

Sales assistants play a pivotal role in a customer service situation, with the most important attributes being store clerk attitude and treatment of customers. The importance of sales staffs' knowledge regarding new products, prices, and other variations of store offerings, as well as commenting on the importance of treating the customer with respect.

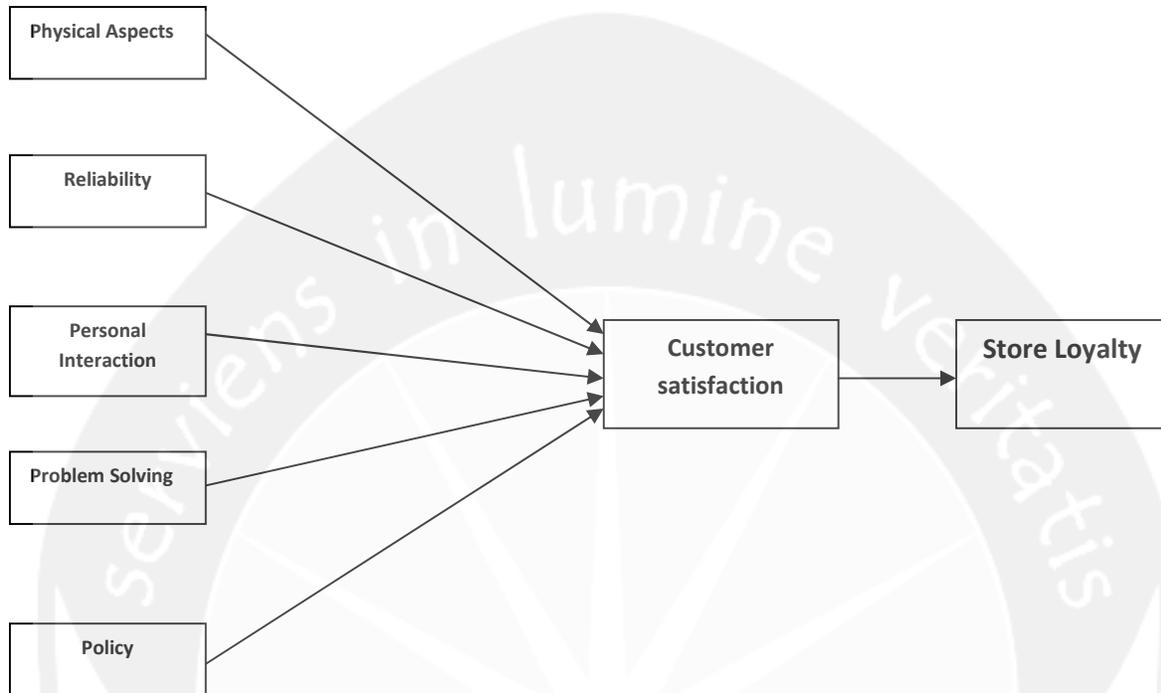
d. Problem solving

Problem solving refers to the store's capability of handling returns and exchanges, as well as processing customers' problems and complaints. It includes the store's ability to express a sincere and genuine interest in solving the customer's problem and extends to the ability of staff to handle complaints directly and immediately. Unless dealt with effectively, service failures have been shown to arouse dissatisfaction and anger, leading to disastrous consequences for the store.

e. Policy

Store policy refers to a store's decisions concerning the depth and breadth of their merchandise, their loyalty programs and credit facilities, operating hours, parking facilities and additional customer services offered. Here, it has been found that stores endowed with good facilities are more likely to secure a favourable consumer perception. Customers expect retailers to be supportive and thus any service mechanism that suggests empathy and understanding is likely to impact favourably on perceived service quality and satisfaction.

2.4. Conceptual Model



Adapted from: Examining the effect of retail service quality dimensions on customer satisfaction and loyalty: The case of the supermarket shopper.

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