

# Drivers of perceived service quality in selected informal grocery retail stores in Gauteng, South Africa

A.T. du Plooy, J.W.de Jager & D. van Zyl

## ABSTRACT

This study focuses on the service delivery of small grocery retail stores operating in the informal sector in Gauteng. The study specifically aimed to determine whether a sample of customers is in fact satisfied with the service quality delivery by these types of informal stores. Furthermore, this study aimed to identify service quality dimensions that help describe perceived levels of service quality, as well as the intention to shop at the informal retailers in future. Issues regarding customer care and service quality in the context of small firms are also investigated. A critical challenge to the survival and future growth of these types of service delivery institutions that operate among the underprivileged is to understand the needs of their customers and ensure that they meet these. While the focal point of the study was the informal grocery retail sector, the study did not focus on survivalist businesses. In fact, the outlets covered could be considered established and mature businesses operating within the informal part of the modern or first-world economy. It was found that 'empathy', 'tangibility', 'reliability' and 'assurance' were considered to be the main drivers of perceived levels of service quality among shoppers. Practical implications for informal grocery retailers, limitations and suggestions for future studies are articulated.

**Key words:** service quality, retail, informal sector

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## Introduction

The value of service to a customer is often disregarded from the perspective of the firm. Some enterprises assume that the only way to remain competitive is to focus on price, since many customers will only buy the cheapest products. However, several other factors also play a central role in customer decision-making and could form the basis of their competitive advantage, including the accessibility of a back-up service to the customers, the business hours, addressing the needs of customers, as well as timely delivery on promises (Brink & Berndt, in Chiliya, Herbst & Roberts-Lombard 2009).

Understanding and meeting customers' needs are essential for the success of any business or organisation, no matter how small or how large. No organisation can make a good living without meeting the needs of the customer (Timm 2008). There is general agreement that the delivery of high service quality can create a competitive advantage for retailers by differentiating them in terms of meeting the needs of their customers better than their competitors do (Darshan 2006; Chiliya et al. 2009).

Service quality is applicable to the whole range of service sectors in an economy, resulting in the need for the adjustment or development of alternative service quality models. The application of westernised approaches to service companies that operate in a developing environment among diverse cultures, and to the measures of service quality that they employ, will result in unsatisfactory and inappropriate marketing strategies (Malhotra, Ulgado, Agarwal, Shainesh & Wu 2005).

There still seems to be a need for deeper insights into the service quality dimensions of different types of retailers (Torlak, Uz Kurt & Özmen 2010). Despite a considerable number of academic studies having been devoted to customers' assessment of formal retail stores (Boshoff & Terblanche 1997; Dabholkar, Thorpe & Rentz 1996; Mehta, Lalwani & Han 2000; Venter & Dhurup 2005; Wong & Sohal 2003), less attention has been paid to the informal sector, and to satisfying the needs and uplifting communities in developing markets.

A number of studies have examined retail service quality in developed countries, but the focus has only recently been extended to include encounters in the diverse retail environment in developing countries, such as India (Darshan 2006), the Philippines (Munoz, Raven & Welsh 2005) and Turkey (Torlak et al. 2010). Informal retail trade forms a significant part of the South African economy and is growing rapidly.

According to Tustin and Strydom (2006), the informal sector is important from a research perspective – not only due to its total size, but also to its role in providing employment opportunities for South Africans. By 2004, the size of the informal retail sector was estimated to be 12% of the potential retail trade sales. However, there

seems to be very little published literature on service quality in the informal retail environment in South Africa.

## **The nature of the informal sector**

Various studies have indicated that the vast majority of consumers in developing nations, including South Africa, are disadvantaged. Although most of these people could be classified as poor, their aggregate buying power or contribution to a country's gross domestic product (GDP) cannot be underestimated. Thus, investigating the role that businesses play in uplifting this sector of the community is valuable. One of many challenges for such countries is to determine how to upgrade these communities in terms of a variety of service-delivery efforts (Rogerson, Bendixen & Abratt 2007).

In addition, the government has often expressed the need to develop small businesses to bridge the gap between the formal and informal economies. It is also important to note that the South African informal sector is characterised by a dual informal system. The first system comprises those businesses representing the informal part of the modern (or first-world) economy. The second system in the informal economy is characterised by survivalist businesses established as, *inter alia*, kerbside traders, traders in pedestrian malls and at transport interchanges, and small home-based businesses, such as spaza retailers. The first economy can therefore be described as modern; but it also houses an informal component (Bureau of Market Research 2006).

The informal sector comprises a variety of activities – ranging from small commercial activities to small production and services enterprises. The majority of informal businesses are located in the retail trade sector (Ligthelm 2003). The informal sector, by its very nature, generates levels of output that are difficult to quantify. This sector, however, appears to be vast, in both developed and developing countries, and is estimated to contribute between 16% and 75% of the current GDP of many third-world countries. This represents a parallel economy that is directly affected by conditions within the formal economy (Morris, Pitt & Berthon 1996).

Rogerson (2007) points out that the informal sector continues to attract the attention of policy-makers, activists and researchers. One of the reasons is that this large and significant sector of developing economies offers employment to a large share of the global workforce that remains outside the world of full-time, stable and protected employment (McKeever 2006).

This article focuses on the key service-delivery areas of informal retail outlets within the South African context.

More than ever, small informal retail outlets in developing countries, such as South Africa, face major challenges in ensuring their sustainability and future growth. The copycat mentality of owners of small informal enterprises to establish identical businesses, selling identical products – often in the same vicinity – is one of their major weaknesses (Woodward, Rolfe, Ligthelm & Guimarães 2011). The increasing threat of competition from the expansion of large supermarkets and malls in established and township areas presents another challenge to these enterprises. Customers who supported small grocery shops in South African townships in the past, mainly due to their convenient location and products offered in small quantities, are now more willing to travel to large stores that offer a wider variety of products at a better price to satisfy their demands, and they are more capable of travelling (Chiliya et al. 2009; Ligthelm 2008). Most of these informal traders also experience an inability to access loans or credit from the formal financial institutions, such as banks and micro-lenders, for their capital requirements (Schraader, Whittaker & McKay 2010).

In South Africa, consumers with lower incomes, living in townships, often do not have direct access to large grocery retail stores located in more affluent areas; and they therefore shop at local ‘spaza’ outlets, which are similar to convenience stores, although present in the informal sectors and township areas. These stores tend to charge higher prices because of their location, as well as not being able to benefit from larger economies of scale (Klemz, Boshoff & Mazibuko 2006). Small and informal retail outlets cannot compete with their larger and formal counterparts on aspects such as available resources, market research and economies of scale. In order to survive and grow, these informal retail outlets have to respond to the needs and requirements of their customers, as well as ensuring that quality service is delivered. According to Maclaran and McGowan (1999), customised service delivery by small firms is only possible because they are more flexible and responsive to their customers’ unique requirements.

These strategies are attainable by small business whose employees are in close contact with their customers. Issues regarding customer care and service quality in the context of small firms need to be investigated. A critical challenge to the survival of these service-delivery institutions operating among the underprivileged is to understand and meet the needs of their customers. Ligthelm (2003) points out that widespread unemployment and high levels of poverty have resulted in a rapidly increasing informal economy in South Africa. Even households with limited disposable income need basic commodities and services that are often provided by small enterprises in the informal sector. A variety of enterprises operate in this sector; and they attempt to provide affordable services and goods to these consumers.

However, the majority of informal businesses are located in the retail trade sector in South Africa.

Informal settlements, also referred to as squatter camps in South Africa, are densely populated settlements comprising members housed in self-constructed shelters under conditions of informal or traditional land tenure (Fraser & Manson, in Rogerson et al. 2007). One of the major role-players in the informal economy in South Africa is the so-called 'spaza shop'. According to Thladi and Miehlabradt (2003), 'spaza' means hidden, and the term arose during the apartheid era, when restrictions were placed on black people running businesses. Spaza shops or retailers are small informal convenience stores located mainly in disadvantaged communities in people's houses or backyards. These stores are generally found in informal settings; and they mainly sell groceries, including fresh food and dry household products.

## **Retail service quality from a developing perspective**

Apartheid spawned a dual economy in South Africa that consisted of two opposing components: first-world and third-world settings. The first-world retail environment consists of businesses owned predominantly by whites; it is characterised by modern infrastructure, telecommunications, banking and retail outlets. The third-world emerging component consists mainly of small independent businesses in township areas owned by Africans. These small businesses typically have poor infrastructure, very limited access to telecommunications or financial support, and undeveloped retail and banking services (Klemz et al. 2006).

Consequently, large retailers in South Africa have sufficient resources to serve several market segments; they carry a wide range of products and utilise modern technology. Since they do not offer customised services, they can streamline their service delivery to maintain reliability. Conversely, small independently owned stores serve a single market segment – such as the residents of townships or rural areas. The staff of these stores usually have a closer relationship with their local customers and can offer them more personalised service.

In this South African study, customer surveys were conducted at small, local, independently owned township stores, and at large national retailers, to assess the influence of store staff on purchase intentions or future behaviour. It was found that the store staff of large national retailers use a combination of responsiveness and assurance to influence purchase intention, while empathy plays a minor role. Small local independently owned retailers rely mostly on the empathy of their staff to influence the willingness of their customers to buy at the store in future. These

findings once again confirm the importance of customer loyalty for the survival of small grocery retail stores in developing countries (Klemz et al. 2006).

Ligthelm (2003) notes that although small informal retailers, such as spaza retailers, are often portrayed in the literature as survivalist enterprises operating at bare survival levels, they show clear signs of becoming a permanent phenomenon in the South African economic arena. In his national study of spaza retailers in all nine provinces of South Africa, it was found that they are becoming increasingly sophisticated and closely linked with the rest of the economy. The majority of these retailers have electricity and running water. Their application of marketing principles is also noteworthy. Most of them clearly mark the prices of the goods displayed on their shelves and use signboards to advertise their location. Almost all of them buy their stock from wholesalers; and most of the owners use banking facilities, such as savings and cheque accounts, in running their businesses. Several of them recognise the important role of their suppliers, such as the impact of radio advertising and the promotion of a specific product, on their sales, and the availability of delivered goods to their stores. They consult posters, pamphlets, catalogues and magazines before deciding what merchandise to procure.

These owners' perceptions of their own strengths and weaknesses are also noteworthy. They indicated their convenient location, friendly service and long business hours as being the most important benefits offered to their customers, while high prices of the branded products, stock shortages and poor customer services were seen as major disadvantages. They clearly realise the importance of service to their customers, as well as the negative consequences of not meeting their customers' expectations. These small convenience shops in the informal sector face various challenges and cannot compete with large chain stores on price or the range of products offered. Hence, they must find alternative ways to ensure that they remain in the market and do not lose their clients to large competitors. One obvious solution is to deliver high-quality service to their customers. The first step in this direction would be to find out what their customers expect of them. This is supported by Chilya et al. (2009), who investigated the relationship between the marketing strategies and the profitability of small grocery shops in East London. The study found that the owners of these stores do not know or understand their competitive environment, and they generally do not assess the expectations of their customers. On the positive side, they found that their marketing mix was customised to targeting customers with low disposable incomes. Price was perceived as the most important aspect of their marketing strategy, and they offer price discounts to their customers on a regular basis. They buy in bulk, but sell the items in smaller quantities to their customers.

Perks (2010) found similar marketing practices among spaza retailers in the Nelson Mandela area. A large number of them advertise by using notice boards, pamphlets, posters and outdoor signage, and only a few do not advertise at all. The majority of these stores offer discount or specials to their customers on a regular basis and are open for business 12 hours per day, seven days a week. These small businesses normally carry low overheads, enabling them to become more competitive and to respond to demand changes. One might then assume that competition among these rivals is as fierce as in the formal sector. Broadbridge and Calderwood (2002) argue that if rural food shops are to survive among competitors, it is imperative to understand what the residents in the community want from their grocery shopping. They furthermore state that only those stores with a clear understanding of their customers' wants – and any changes that occur in the marketplace – can survive, and only through identifying and satisfying some of those needs more effectively than their competitors do.

The fact that spaza retailers are not registered (Kekana 2009); that they are small businesses with between five and twenty employees (Perks 2010); and that they operate in a section of an occupied residential home, or in any other structure on a stand in a formal or informal township, which is zoned for residential purposes (Ligthelm 2003), does not mean that competition does not exist among them, and that the selling of similar products does not require differentiating their product or service offerings, by providing superior service quality, to ensure repeat customers.

This is supported by Wan and Cheng (2009), who state that the evaluation of customer satisfaction and service quality is the primary goal of service firms that want to survive in an increasingly competitive marketplace, where informal businesses are operating. Olorunniwa, Hsu and Udu (2006) point out that satisfied customers, who support a business for a long period, tend to impact on the profitability of the organisation in several ways, including loyal and satisfied customers that spread the good news, thereby ensuring repeat customers and avoiding the need to spend money to attract them.

Torlak et al. (2010) found significant differences between the service quality dimensions of customers from large supermarkets and customers from small discount stores in Eskisehir, Turkey. Customers from large supermarkets perceived the tangible and store policy dimensions to be more important, while customers from discount stores regarded the interaction with staff personnel as being more significant. Wong and Sohal (2003) undertook a similar study in Melbourne, Australia to determine the influence of store staff on customers' loyalty towards retail stores. They compared the retail service quality provided by stores in a country retail district with that provided by stores in a city retail district. The results showed that empathy was the most

significant predictor of customer loyalty in the city retail district, while reliability and responsiveness did not contribute significantly to loyalty. In the country retail district, tangibles such as the quality and variety of merchandise offered were the most important determinants, while empathy, responsiveness and assurance played a minor role. This study, and the South African study by Klemz et al. (2006), compared the service delivery of staff in urban retail stores with that in non-urban areas, though the determinants of service quality were different in each country and region. These studies illustrate the complexity of measuring service quality in different cultures and retail service settings. They also demonstrate that retailers in developed and developing countries face different challenges with respect to service delivery.

The numerous studies conducted to explain cultural differences in service quality expectations, and relationships between perceptions and overall quality assessments, provide a clear indication of the need for clarification. Some studies examined the influence of national and regional cultural differences on customer perceptions of service encounters in the retail environment. Darshan (2006) explored the influences on retail service quality in India and the USA. The reliability of the service quality provided by retail stores in both countries was found to be vital for customers. However, the service quality perceptions of consumers in India were very different from those in other countries and cultures, especially in the USA. Munoz et al. (2005) examined retail service quality in the rapidly developing Philippines. The food retail environment in that country is similar to that of South Africa, and is characterised by large retailers, as well as small independent stores known as 'sari sari' stores (small family-owned businesses), together with a growing number of small convenience stores. They also have a large informal sector predominantly selling food to lower-income consumers. Most of these stores are home-based and located very close to their customers. They offer lenient payment options and sell goods in small quantities to customers who typically have limited budgets. These small stores face increasing competition from powerful retailers and global franchises. To retain their existing customers, they differentiate themselves in ways that are meaningful to their customers. These small stores are very similar to the spaza shops in the informal sector in South Africa.

Malhotra, Ulgado, Agarwal and Baalbaki (1994) point out that there are differences in perceived service quality between customers in developed and developing countries. This is due to environmental, economic and socio-cultural factors that impact on their perceptions and expectations with respect to service quality. The perceived service quality is related to the demographic and cultural characteristics of customers and directly influences their future shopping behaviour. The need to be sensitive to differences in culture, type of industry and economy when evaluating service



quality is emphasised in the literature. Therefore, companies should be careful to follow a standardised marketing approach, but should, nevertheless, customise their market and service offerings to a specific market's needs. In the following sections, the methodology and findings of the research will be described.

## **Research design and methodology**

### **Research objectives**

The study set out to measure the perceived levels of service quality, among a sample of customers, delivered by a selection of informal grocery retail stores, such as spaza shops and general dealers, located across Gauteng. In addition, the study aimed to identify those dimensions that help explain the perceived levels of service quality, as well as customers' future intention to shop at these types of grocery retail stores.

The study was guided by the following specific research objectives:

- To confirm the dimensionality and internal reliability of service quality dimensions developed on an *a priori* basis from the existing literature
- To measure the levels of satisfaction with the perceived overall service quality provided by a selection of small informal grocery retail stores across Gauteng
- To obtain a ranking of service quality dimensions based on the average composite ratings of the respondents
- To identify the significant predictors of overall service quality and the intention to shop in the future; and also to identify statistically significant differences in the average ratings of the various demographic groups.

### **Data collection and sampling**

#### *Sample framework*

Data were gathered from a convenience sample of 371 consumers visiting informal grocery retail stores, such as spaza shops and general dealers, located at a number of selected points across Gauteng. Questionnaires were administered at over 100 stores, which were selected based on convenience and accessibility. Although the sample might not be considered representative of the total population of informal grocery retail stores in Gauteng, a spread of stores across Gauteng was achieved. Stores were located in the municipal areas of Tshwane (44%), Ekurhuleni (15%), Johannesburg (26%), Sedibeng (12%) and West Rand (1%). Trained interviewers, fluent in English as well the predominant African languages, were responsible for the fieldwork.

### *Measuring instrument and reliability*

In developing the data-gathering instrument, an extensive literature review was conducted, including a review of several empirical studies on measuring service quality within a shopping environment. From this, 47 statements (or items), measuring six different service quality dimensions, were selected. Statements for this quantitative study were structured, so that each could be rated using a 5-point rating scale, ranging from 1='strongly disagree' to 5='strongly agree'.

In order to obtain a measurement for a dimension, a composite mean score was calculated based on the ratings of the subscales. In addition to the inclusion of service quality items, the questionnaire also included questions on the demographic characteristics of the respondents, such as gender, age, highest educational qualification, household income and population group. Lastly, the questionnaire sought additional information related to the shop, including the location, the type of structure and the services offered.

To address the dimensionality and the convergent and discriminant validity issues, a number of inter-item correlation matrices were constructed, using the individual items, as well as the composite service-quality dimensions. The inter-tem correlation matrix of composite dimensions is shown in Table 1. While most of the correlations among items measuring the same construct were uniformly high compared with the correlations between composite dimensions (from Table 1), the dimensions of 'tangibility' and 'servicescape', in particular, showed higher inter-item correlation than the rest of the combinations. Although exclusive dimensionality was sought, the respondents might have regarded these two service-quality dimensions as more closely related than is postulated in the literature.

In addition, the internal reliability of composite dimensions was confirmed by means of Cronbach's alpha. The main findings on the internal reliability of composite dimensions can be summarised as follows:

- *Tangibility*: This was initially measured by 14 items, 12 of which were retained for further analysis. The coefficient alpha value for this subscale was 0.874.
- *Servicescapes*: These were measured by ten items, all of which were retained for further analysis. The coefficient alpha value for this subscale was 0.826.
- *Reliability*: This was measured by five items, all of which were retained for further analysis. The coefficient alpha value for this subscale was 0.726.
- *Responsiveness*: This was measured by seven items, four of which were retained for further analysis. The coefficient alpha value for this subscale was 0.803.

**Table 1:** Inter-item correlation matrix

		Tangi- bility	Service- scape	Relia- bility	Respon- siveness	Assu- rance	Empathy
Tangibility	Pearson correlation	1					
	n	371					
Servicescape	Pearson correlation	0.76	1				
	Sig. (2-tailed)	0.000					
	n	371	371				
Reliability	Pearson correlation	0.51	0.49	1			
	Sig. (2-tailed)	0.000	0.000				
	n	371	371	371			
Responsiveness	Pearson correlation	0.42	0.44	0.65	1		
	Sig. (2-tailed)	0.000	0.000	0.000			
	n	371	371	371	371		
Assurance	Pearson correlation	0.56	0.60	0.57	0.61	1	
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		
	n	371	371	371	371	371	
Empathy	Pearson correlation	0.45	0.44	0.57	0.66	0.60	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	
	n	371	371	371	371	371	371

- *Assurance*: This was measured by six items, all of which were retained for further analysis. The coefficient alpha value for this subscale was 0.692.
- *Empathy*: This was measured by five items, three of which were retained for further analysis. The coefficient alpha value for this subscale was 0.785.
- *Overall satisfaction with service quality and future intention to shop*: The statements read ‘I am satisfied with the overall service quality’; and ‘I intend to shop at this store/shop in the future’.

The service quality dimensions and the items within each are listed in the appendix. The standardised item alpha for the scale was calculated as 0.935, exceeding the suggested level of 0.7, as recommended by Nunnally (1978).

## Data analysis and results

### Sample characteristics

The demographic profile of the respondents is shown in Table 2. Ninety-three per cent (93%) of the shoppers interviewed were black Africans (93%). Females made up

## Driver of perceived service quality in selected informal grocery retail stores in Gauteng

54% of the total sample, while the majority of the respondents were younger than 35 years (78%). An average household income of less than R5 000 per month was reported by 65% of the respondents.

**Table 2: Demographic profile of respondents**

<b>Sample size</b>	371
<b>Gender</b>	
Male	46%
Female	54%
<b>Age</b>	
18-25 years	45%
26-35 years	33%
36-50 years	19%
50+ years	3%
<b>Highest level of education</b>	
Primary education	11%
High school education	36%
Diploma/Technical certificate	40%
Degree	13%
<b>Average monthly household income:</b>	
Less than R2 000	46%
R2 000-R4 999	19%
R5 000-R9 999	19%
R10 000-R14 999	11%
R15 000+	5%
<b>Population group:</b>	
Black African	93%
Coloured	5%
Asian	1%
White	1%

Table 3 shows results pertaining to data gathered on the location, structure and service provided by the shop. Of the 371 shoppers interviewed, 63% were customers at shops located within informal settlements, and the rest at shops located in formal settlements. Fifty per cent (50%) of the shoppers interviewed served themselves, while 35% were served through a window and 15% over the counter.

**Table 3:** Location, structure and service of informal retail outlets

<b>Sample size</b>	371
<b>Shop location</b>	
Informal settlement	63%
Formal settlement	37%
<b>Structure</b>	
Room/garage attached to house	39%
Other	21%
Brick building in backyard	19%
Shack on stand	8%
Inside main house	7%
Metal container on stand	6%
<b>Type of service</b>	
Served over counter	15%
Served through window	35%
Self-help	50%

In addition, the equipment inside these outlets was noted by fieldworkers as part of the observations. Of the outlets, more than 80% had refrigeration/deep-freeze facilities, and almost half had cash registers. This illustrates a level of business maturity and sophistication often not acknowledged by researchers, as pointed out by Ligthelm (2003).

## Overall ratings of service quality and intention to shop

Figure 1 shows the distribution of ratings given by respondents to the statement 'I am satisfied with the overall service quality'. The results show that 45% of the respondents agreed or strongly agreed with the statement, while a further 27% neither agreed nor disagreed. In contrast, 28% disagreed or strongly disagreed. Taking those respondents that neither agreed nor disagreed as being at least content with the overall service quality, in other words, not expressing dissatisfaction, suggests that 72% of respondents did not find the service quality of the stores to be unsatisfactory.

Figure 2 shows the distribution of ratings given by respondents to the statement 'I intend to shop at this store/shop in future'. The results show that the majority of respondents (59%) agreed or strongly agreed with the statement, while a further 25% neither agreed nor disagreed. In contrast, 16% disagreed or strongly disagreed. A significant correlation of 0.66 ( $p = 0.000$ ) was also found between the two statements.

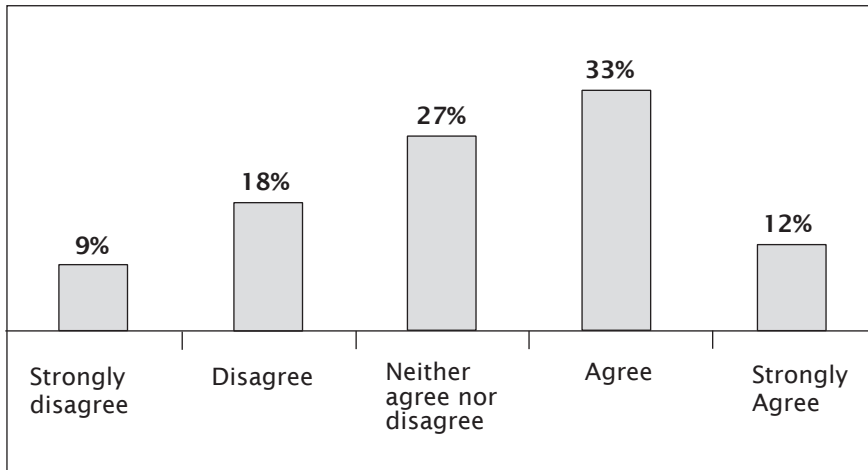


Figure 1: Rating of statement 'I am satisfied with the overall service quality'

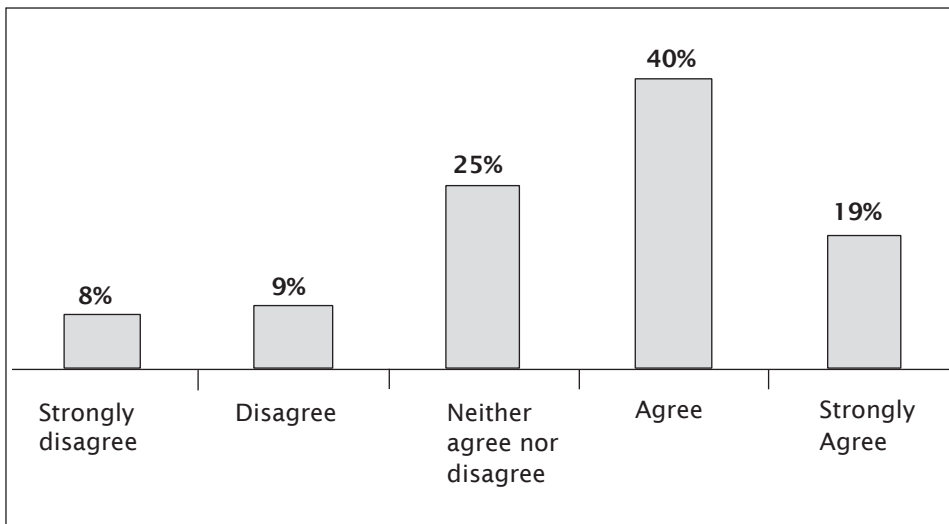


Figure 2: Rating of statement 'I intend to shop at this store/shop in future'

### Average ratings of service quality dimensions

Table 4 shows the average composite ratings for the six service dimensions. As noted, the ratings were obtained by calculating the average score out of five across the items within a particular dimension. Of the six dimensions, 'reliability' obtained the highest average rating out of five (3.35), followed by 'responsiveness' (3.32), 'empathy' (3.31) and lastly 'servicescape' (3.25). A multivariate test was performed to test the null

hypothesis that the distributions of the various dimensions are the same. The results show that the null hypothesis cannot be accepted ( $p=0.000$ ), suggesting that there are significant differences in the mean ranked ratings of some of the dimensions.

**Table 4:** Average ratings of the service quality dimensions

Dimension	Mean	SD	Rank
Reliability	3.35	0.72	1
Responsiveness	3.32	0.83	2
Empathy	3.32	0.82	3
Tangibility	3.27	0.76	4
Assurance	3.26	0.65	5
Servicesscape	3.25	0.72	6
Friedman test (sig=0.036*)			

While the above average composite ratings (out of a five), ranging between 3.35 and 3.25, might be interpreted as being indicative of only average levels of service quality, it is important to note that the scores still reflect significantly lower and higher levels of satisfaction among some of the dimensions. It is also important to consider the proportions of the sample where an average score was obtained between 1 and 2.60 (derived cut-point for indication of dissatisfaction), 2.61 and 3.40 (neither satisfied nor dissatisfied) and 3.41 and 5 (satisfied) (refer to Table 5). These cut-points provide crude, but relatively simple, indications of the levels of satisfaction when dealing with a five-point rating scale, as in this study.

**Table 5:** Proportions of sample in groupings of average ratings across service quality dimensions

Average score grouping	Group label	Dimensions					
		Tangibility	Service scope	Reliability	Responsive-ness	Assurance	Empathy
1.00-2.60	Dissatisfied	22%	22%	17%	21%	14%	17%
2.61-3.40	In-between	34%	35%	41%	28%	43%	40%
3.41-5.00	Satisfied	44%	43%	42%	52%	43%	43%

It is evident from Table 5 that the proportions of the sample where an average score of between 1 and 2.6 was obtained ranged from 14% (assurance) to 22% ('tangibility' and 'servicesscape' respectively). On average, about 19% of the sample obtained a score below 2.6, which is indicative of unsatisfactory levels of service quality across the

dimensions as perceived by these respondents. In contrast, about 45% of the sample could be classified as being generally satisfied with the level of service quality across the dimensions, with a further 37% being neither satisfied nor dissatisfied. The dimension of 'assurance' (86%) accounted for the biggest proportion of the sample. Overall, an estimated 81% of respondents did not find the service quality dimensions to be unsatisfactory.

A comparison of the results obtained from the rating of the statement 'I am satisfied with the overall service quality' with the average level of satisfaction derived from the evaluation of the six dimensions prompts further exploration and alignment. The results showed that about 72% of respondents did not find the overall service quality of the stores to be unsatisfactory (and of these, 45% were classified as satisfied), compared to an estimated 81% when considering the average ratings across the six dimensions (of which about 45% were also classified as satisfied). The lower rating, however, obtained from the overall evaluation of the level of service quality, might be related to respondents taking into account factors other than only the six service quality dimensions investigated in this study. It is therefore important to take cognisance that levels of overall satisfaction (and dissatisfaction) are often the product of multiple and sometimes overlapping dimensions of perceived service quality.

## **Identifying the drivers of service quality and intention to shop**

Acknowledging that the six dimensions are not an exhaustive list of all possible service-quality dimensions affecting overall levels of perceived satisfaction, it remains valuable to investigate the extent to which the six dimensions, and for that matter which ones, contribute the most in explaining overall levels of variation in the data. Henceforth, a step-wise multiple regression analysis was performed to identify the best predictors of overall service quality and intention to shop in future. The step-wise regression model ( $F = 1355.51$ ;  $p < 0:000$ ; adjusted R square = 0.936) included 'empathy', 'tangibility', 'reliability' and 'assurance' as best predictors of overall service quality. The variables explain approximately 94% of the variation in the ratings of overall service quality. The regression results are shown in Table 6. An inspection of the standardised beta coefficients reveals that 'empathy' contributes the most to the dependent variable (overall service quality) relative to the other predictor variables (service quality dimensions).

With regard to intention to shop, the step-wise regression model ( $F = 1786.06$ ;  $p < 0:000$ ; adjusted R square = 0.935) identified the following variables as best predictors: 'assurance', 'reliability' and 'empathy'. Of interest to the researchers



was the exclusion of ‘tangibility’ from the model. In addition, where ‘empathy’ contributed most in explaining the variation in overall service quality relative to the other predictors, ‘assurance’ contributed most in explaining the variation in intention to buy at the shop in future.

**Table 6:** Regression analysis

	Non-standardised			Standardised		
Factors	B	SE		beta	T	Sig
Empathy	0.36	0.07		0.36	4.92	0.000*
Tangibility	0.23	0.07		0.23	3.20	0.002*
Reliability	0.21	0.08		0.21	2.61	0.009*
Assurance	0.18	0.09		0.18	1.98	0.049*
<b>Dependent variable: Satisfaction with overall service quality</b>						
<i>R = 0.968 Rsq = 0.937 Adj Rsq = 0.936 F = 1355.51 p=0.000</i>						
	Non-standardised			Standardised		
Factors	B	SE		beta	t	Sig
Assurance	0.44	0.09		0.39	4.807	0.000*
Reliability	0.35	0.08		0.32	4.138	0.000*
Empathy	0.28	0.08		0.26	3.572	0.000*
<b>Dependent variable: Intention to shop here again in future</b>						
<i>R = 0.967 Rsq = 0.936 Adj Rsq = 0.935 F = 1786.06 p=0.000*</i>						

## Differences in the ratings of demographic groups

Various statistical tests were performed to identify significant differences in the average ratings and distributions of demographic groups. For the six dimensions, independent t-tests and ANOVA were performed; while for the two ordinal statements (‘overall service quality’ and ‘intention to shop in future’), Mann-Whitney and Kruskal-Wallis tests were performed (see Table 7). The following results were obtained:

- The gender groups did not show any significant differences in the average ratings obtained for the six service-quality dimensions, as well as for ‘overall service quality’ and ‘intention to shop in future’. In other words, gender did not play a statistically significant role in explaining variations in the ratings of these study variables.
- Differences in the average ratings of some of the age groups were evident for ‘servicescape’, ‘reliability’, ‘responsiveness’ and ‘overall service quality’. Inspection

of the averages revealed that older respondents were more satisfied with the service quality aspects than younger respondents.

- Differences in the average ratings of some of the educational groups were evident for 'tangibles', 'servicescape' and 'assurance'. Respondents with a higher educational profile showed more satisfaction with the various service-quality aspects.
- Differences in the average ratings of some of the household income groups were evident for 'assurance', 'overall service quality' and 'intention to shop in future'. Higher-income groups showed more satisfaction with service-quality aspects.
- Race did not play a statistically significant role in explaining variations in the ratings of the eight study variables.

Similar statistical tests were performed to identify whether variations in the study variables could be explained by aspects such as shop location, structure and type of service provided (see Table 7). The following results were obtained:

- Respondents interviewed at shops located in formal settlements showed higher levels of satisfaction with aspects relating to 'tangibles' and 'overall service quality'.
- Respondents interviewed at shops located in a brick building or inside a main house showed higher levels of satisfaction than those respondents interviewed at shops located in a shack or room/garage attached to a house. Differences in mean ratings were evident across all the study variables.
- Lastly, respondents who were able to serve themselves when shopping showed higher levels of satisfaction with respect to 'tangibles', 'servicescape' and 'assurance' than those served through a window.

## **Recommendations and implications**

A review of the literature shows that service quality in businesses operating in the formal sector has received more attention than in businesses operating in the informal sector. However, the aggregated buying power or contribution that the customers of businesses operating in the informal sector make to South Africa's GDP should not be underestimated. In fact, Ligthelm (2003) highlighted the rapid growth of the informal economy in South Africa.

In a very a competitive and demanding economic climate, the factors that influence service quality in informal businesses is thus considered valuable to all shop owners. The findings will also be of interest to government and other groups that provide support and guidance to informal retailers.

This study has targeted a selection of informal grocery retail stores located in Gauteng, and the results have shown that, in general, customers were either satisfied, very satisfied or at least content with the overall service quality provided by these informal outlets. Conversely, however, about one in four respondents (28%) interviewed was not satisfied. For some shops, therefore, the level of service quality that they provide should be a matter of concern. Small informal grocery retail stores cannot compete with larger, formal outlets on aspects such as available resources, marketing research and economies of scale, and factors such as service quality and convenience could be important differentiators.

In order to survive and grow, these informal grocery retailers need to ensure that quality service is delivered. A question that has emerged from this study is 'How different are the overall levels of perceived service quality when measured among informal retail shoppers compared with those who shop at formal outlets?' A comparative study could thus be of value in understanding the service-quality challenges faced by informal retail stores in competing against formal outlets.

The study also found a significant positive correlation between perceived service quality and intention to shop at the store in future. This is in line with the findings of studies by Brown et al. (2002) and Dabholkar et al. (1996), which identified a strong positive relationship between service quality and repurchase intention. They also found a strong relationship between service quality and the probability of recommendation.

With regard to services that are mostly intangible and usually produced after purchasing (Reimer & Kuehn 2005), prospective customers face a high degree of uncertainty and need to be persuaded or encouraged to shop at a particular outlet on the basis of positive word-of-mouth communication with other shoppers. Delivering service quality should therefore form an integral part of any retailers' strategy, irrespective of type, such as grocery, clothing etc. In addition, retailers benefit from customer satisfaction, because satisfied customers can be more successfully retained, and the market share can be expanded further, ultimately improving overall financial performance (Kim & Jin 2002).

What could also work in favour of the smaller retail outlets, such as grocery stores, is the fact that they can deliver customised service delivery because they are more flexible and responsive to their customers' unique requirements (Maclaran & McGowan 1999). These strategies are attainable by small business since they are in close contact with their customers.

Table 7: Average ratings of service quality dimensions by selected demographic and firmographic characteristics

	Tangibles		Service scape		Reliability		Responsive-ness		Assurance		Empathy		Satisfaction with overall service quality		Intention to shop here in future	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
<b>Gender</b>																
Male	3.34	0.75	3.30	0.74	3.36	0.77	3.40	0.80	3.31	0.63	3.34	0.78	3.31	1.09	3.56	1.10
Female	3.22	0.74	3.24	0.69	3.36	0.66	3.26	0.84	3.23	0.65	3.30	0.86	3.12	1.20	3.57	1.14
<b>Sig</b>	0.118		0.478		0.935		0.104		0.222		0.665		0.133		0.785	
<b>Age</b>																
18-25 years	3.22	0.67	3.15	0.69	3.26	0.76	3.25	0.86	3.22	0.67	3.23	0.85	3.01	1.15	3.45	1.14
26-35 years	3.20	0.74	3.26	0.63	3.32	0.66	3.23	0.80	3.20	0.60	3.27	0.75	3.29	1.12	3.54	1.12
36-50 years	3.46	0.95	3.45	0.87	3.61	0.72	3.62	0.75	3.44	0.68	3.61	0.85	3.46	1.25	3.74	1.11
50+ years	3.42	0.82	3.37	0.79	3.53	0.48	3.35	0.67	3.31	0.59	3.31	0.64	3.42	0.79	3.92	0.29
<b>Sig</b>	0.097		0.027*		0.005*		0.009*		0.082		0.013*		0.020*		0.150	
<b>Highest educational qualification</b>																
Primary education	3.11	0.81	3.07	0.76	3.13	0.79	3.24	0.89	3.04	0.73	3.21	0.73	2.90	1.30	3.32	1.13
High school education	3.15	0.75	3.13	0.74	3.32	0.74	3.29	0.85	3.17	0.65	3.25	0.86	3.09	1.17	3.52	1.12
Diploma/Technical Certificate	3.35	0.71	3.34	0.66	3.38	0.67	3.33	0.83	3.35	0.61	3.34	0.82	3.31	1.11	3.64	1.05
Degree	3.42	0.83	3.41	0.72	3.52	0.68	3.44	0.75	3.38	0.66	3.44	0.82	3.36	1.13	3.62	1.17
<b>Sig</b>	0.046*		0.013*		0.074		0.669		0.013*		0.446		0.152		0.364	
<b>Average monthly household income</b>																
Less than R2 000	3.19	0.75	3.17	0.71	3.29	0.74	3.29	0.89	3.21	0.69	3.27	0.84	3.06	1.19	3.42	1.15
R2 00-R4 999	3.21	0.78	3.18	0.75	3.32	0.74	3.24	0.76	3.18	0.58	3.28	0.74	3.08	1.11	3.39	1.15
R5 000-R9 999	3.44	0.60	3.39	0.67	3.45	0.73	3.42	0.77	3.35	0.55	3.48	0.71	3.53	0.90	3.86	0.88
R10 000-R14 999	3.24	0.83	3.39	0.74	3.45	0.59	3.42	0.86	3.40	0.76	3.38	1.03	3.36	1.42	3.72	1.28
R15 000+	3.58	0.93	3.42	0.74	3.58	0.68	3.45	0.69	3.55	0.49	3.36	0.62	3.45	1.06	3.91	0.87
<b>Sig</b>	0.052		0.092		0.231		0.575		0.045*		0.471		0.029*		0.020*	

Table 7 continued

Table 7 continued

	Tangibles		Service scape		Reliability		Responsive-ness		Assurance		Empathy		Satisfaction with overall service quality		Intention to shop here in future	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
<b>Population group</b>																
Black African	3.25	0.76	3.24	0.72	3.35	0.73	3.33	0.83	3.26	0.66	3.31	0.84	3.16	1.15	3.51	1.12
Coloured	3.43	0.75	3.34	0.81	3.24	0.73	3.10	0.74	3.26	0.68	3.22	0.66	3.47	0.92	3.67	1.11
Asian	3.77	0.46	3.58	0.94	3.70	0.48	3.31	0.90	3.67	0.27	3.33	0.82	3.50	1.00	3.75	0.50
White	3.51	0.51	3.54	0.40	3.60	0.47	3.75	0.75	3.10	0.53	3.67	0.41	4.40	1.34	4.40	0.89
<b>Sig</b>	<b>0.369</b>		<b>0.579</b>		<b>0.601</b>		<b>0.489</b>		<b>0.605</b>		<b>0.780</b>		<b>0.084</b>		<b>0.287</b>	
<b>Shop location</b>																
Informal settlement	3.20	0.78	3.22	0.76	3.33	0.74	3.38	0.80	3.26	0.66	3.34	0.84	3.13	1.18	3.49	1.13
Formal settlement	3.39	0.71	3.30	0.63	3.39	0.69	3.22	0.87	3.27	0.63	3.28	0.78	3.33	1.11	3.60	1.09
<b>Sig</b>	<b>0.018*</b>		<b>0.287</b>		<b>0.411</b>		<b>0.089</b>		<b>0.792</b>		<b>0.521</b>		<b>0.034*</b>		<b>0.136</b>	
<b>Structure</b>																
Brick building in backyard	3.36	0.75	3.38	0.70	3.33	0.76	3.35	0.78	3.34	0.57	3.40	0.74	3.36	1.14	3.53	1.20
Room/garage attached to house	3.08	0.68	3.15	0.69	3.15	0.71	3.09	0.87	3.16	0.61	3.11	0.87	2.93	1.18	3.43	1.14
Inside main house	3.53	0.65	3.32	0.68	3.64	0.50	3.71	0.69	3.31	0.56	3.52	0.73	3.36	1.11	3.56	1.04
Shack on stand	3.02	0.83	2.92	0.85	3.51	0.80	3.38	0.86	3.01	0.86	3.42	0.79	2.86	1.04	3.07	1.02
Metal container on stand	3.03	0.98	3.10	0.68	3.46	0.80	3.57	0.78	3.22	0.82	3.26	1.02	3.08	1.25	3.50	1.29
Other	3.60	0.68	3.47	0.69	3.58	0.60	3.50	0.72	3.48	0.60	3.55	0.67	3.68	0.99	3.90	0.93
<b>Sig</b>	<b>0.000*</b>		<b>0.002*</b>		<b>0.000*</b>		<b>0.000*</b>		<b>0.002*</b>		<b>0.002*</b>		<b>0.000*</b>		<b>0.007*</b>	
<b>Type of service</b>																
Served over counter	3.25	0.75	3.28	0.73	3.35	0.75	3.30	0.86	3.30	0.65	3.32	0.86	3.07	1.22	3.50	1.16
Served through window	3.07	0.78	3.04	0.73	3.23	0.73	3.23	0.80	3.09	0.67	3.19	0.84	3.03	1.15	3.37	1.12
Self help	3.39	0.68	3.37	0.58	3.38	0.65	3.37	0.80	3.27	0.55	3.37	0.64	3.50	0.98	3.63	1.09
<b>Sig</b>	<b>0.028*</b>		<b>0.004*</b>		<b>0.289</b>		<b>0.600</b>		<b>0.023*</b>		<b>0.297</b>		<b>0.051</b>		<b>0.299</b>	

Areas that were identified as best predictors of satisfaction with respect to service quality included 'empathy', 'tangibility', 'reliability' and 'assurance'. These should be focal points when developing service-quality strategies for informal grocery retail shops. With limited resources, these types of retailers need to carefully consider a balanced service mix that meets the expectations of their customers, as well as being consistent with the attributes most highly valued by those most likely to buy at their stores.

Other challenging areas that emerged from the study were the differences in service-quality perceptions measured among various demographic and geographic groups. The results revealed that demographics such as age, educational level and income explained some variation in respondents' satisfaction ratings. With regard to geographic factors, differences in perceived service quality levels were evident among groups that shopped in formal settlements compared with those who shopped in informal settlements.

The structure of the shop and the means of service delivery also played some part in explaining the variations.

## **Conclusion**

Service quality is a complex construct with multiple dimensions. The literature review and the findings of this study, which focused on informal grocery retail stores, confirmed that the drivers of service quality do differ to some extent across demographic groups. This study specifically revealed that dimensions such as 'empathy', 'tangibility', 'reliability' and 'assurance' were considered to be the main drivers of perceived levels of service quality among shoppers at informal grocery retail outlets.

Given the limited resources that informal grocery retailers face, careful consideration should be given to the service mix that meets the expectations of their customers and is consistent with the aspects most valued by those most likely to buy at their stores.

## **Limitations of the study**

This study has some limitations that need to be acknowledged:

- Firstly, the lack of a complete list of shoppers at informal grocery retail stores as well as the exact locations of these stores necessitated the selection of respondents and stores on a convenience and judgement basis. Areas known to have a concentration

of informal grocery retail stores in Gauteng were identified and visited to ensure accessibility prior to the commencement of the data-gathering phase.

- Secondly, the study purposefully focused only on grocery stores in the informal sector to ensure homogeneity and comparability of service quality delivered to shoppers.
- Thirdly, the six service-quality dimensions measured in the study were identified from the literature review. These dimensions can, however, not be regarded as exhaustive of all possible service-quality dimensions affecting overall levels of perceived satisfaction within the informal grocery retail sector. Nonetheless, it remained valuable to investigate the extent to which the six dimensions contributed to explaining overall levels of variation in the data. This was addressed by means of a step-wise multiple regression analysis.
- Lastly, while survivalist informal businesses might not be considered to be sophisticated in the sense of being driven by service quality, the study specifically focused on relatively established and mature businesses operating within the informal part of the modern or first-world economy. This was confirmed by the fact that most of these stores were well equipped and operate from permanent structures.

## Acknowledgements

The first author, Ms A.T. du Plooy, is grateful for the financial support of the National Research Foundation.

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## Annexure

### Spearman correlation

			7.48 I intend to shop at this store/ shop in future	7.50 I'm very satisfied with the overall service quality provided
Spearman's rho	7.48 I intend to shop at this store/shop in future	Correlation Coefficient	1.000	.660**
		Sig. (2-tailed)	.	.000
		n	371	371
	7.50 I'm very satisfied with the overall service quality provided	Correlation Coefficient	.660**	1.000
		Sig. (2-tailed)	.000	.
		n	371	371

\*\* Correlation is significant at the 0.01 level (2-tailed).

### Service quality dimensions

#### *Tangibility*

	Mean	SD	Valid n
7.2 This store/shop has modern-looking equipment	3.44	1.26	268
7.3 The physical facilities are visually appealing	3.30	1.08	371
7.4 The inside of the store/shop is clean	3.71	.96	371
7.5 The employees appear neat	3.64	.97	371
7.6 The employees are appropriately dressed	3.46	1.05	371
7.7 Communication material is attractive	3.17	1.12	243
7.8 The food on the fresh food display is fresh	3.51	1.05	252
7.9 Clearly specified sales slips are given to customers	2.85	1.51	269
7.10 A broad variety of brands are offered	3.31	1.16	371
7.11 Adequate levels of stock are kept	3.26	1.08	371
7.12 The prices of products are clearly visible	3.03	1.29	371

### *Servicescapes*

	Mean	SD	Valid n
7.15 The outdoor shopping area is visually appealing	3.25	1.09	371
7.16 The inside of the store/shop is visually appealing	3.27	1.02	331
7.17 The noise level outside the store/shop is acceptable	2.98	1.20	371
7.18 The physical facilities are clean	3.57	.95	371
7.19 Store/shop temperature is pleasant	3.28	1.02	339
7.20 Background music is pleasant	3.24	1.19	198
7.21 The colours of the physical facilities and interior are pleasant	3.01	1.15	371
7.22 The lighting in the shop is comfortable	3.52	1.06	371
7.23 The store/shop layout enables customers to move around	3.30	1.29	199
7.24 Layout makes it easy for customers to find products needed	3.53	1.16	198

### *Reliability*

	Mean	SD	Valid n
7.25 Promises made to customers are kept	3.22	1.05	371
7.26 The overall service is carried out correctly the first time	3.41	.99	371
7.27 Waiting time to be served is acceptable	3.39	1.10	371
7.28 Error-free transactions are performed	3.15	1.04	371
7.29 Brands sold are trustworthy	3.60	1.03	371

### *Responsiveness*

	Mean	SD	Valid n
7.30 There is a sincere interest in solving customer problems	3.29	1.08	371
7.31 Employees give speedy overall service	3.27	1.07	371
7.32 Employees are always willing to help	3.47	1.01	371
7.33 Employees are never too busy to respond to request	3.25	1.01	371

## Driver of perceived service quality in selected informal grocery retail stores in Gauteng

### *Assurance*

	Mean	SD	Valid n
7.37 Employees can be trusted	3.45	.91	371
7.38 Employees are polite	3.43	1.02	371
7.39 Employees have the knowledge to answer questions	3.28	1.03	371
7.40 Provision is made for customers' suggestions and comments	2.65	1.19	371
7.41 Customers feel safe inside the shop	3.49	.99	371
7.42 Customers feel safe in the close vicinity of the shop	3.29	1.04	371

### *Empathy*

	Mean	SD	Valid n
7.44 Employees provide personal attention to customers	3.32	1.00	371
7.45 The shop has the customers' best interests at heart	3.27	.98	371
7.46 Employees understand customer needs	3.35	.96	371