Significant Services that have High Impact on Customer Satisfaction: A Study of Selected Foreign Fashion Stores in Shanghai

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Abstract

The fashion retail industry is very competitive and management of retail stores employs service quality as one of the key strategies to increase customer satisfaction and sustain competitive advantage over competitors.

Despite the vast study by researchers on the relationship between in-store services quality and customer satisfaction, little is known about which particular services have high impact on customer satisfaction, thus increase the likelihood to recommend. Service quality is a multi-dimensional construct and not all quality attributes are viewed as equally important to customer. Previous studies have mostly focus on the impact of the dimensions on satisfaction making it impossible to detect which individual services are actually making this prediction. Also from customers’ perspective, service evaluation is on individual services and thus it is important to examine the individual services prediction power on customer satisfaction.

Using data collected from consumers’ perception of service quality (RSQS) in four selected foreign fashion retail stores in Shanghai as well as their satisfaction level, this study attempts to first examine the service quality dimension and satisfaction relationship. Secondly, identify the significant services that have high impact on customer satisfaction.

Results shows that all service dimensions have significant positive correlation with customer satisfaction. Personal interaction and physical aspects were two main factors with high correlation with satisfaction. Further, among the 27 items that measures service quality, 6 were identified to have about fifty percent prediction power on customer satisfaction.

Keywords: Customer Satisfaction, Service Quality, RSQS, Fast Fashion Brands

Background of the Problem

The China fashion retail industry has undergone tremendous change within the past decade and is continuing to expand at a exponential rate. With a population of 1.4 billion and rapid economic growth, China offers the world potentially the largest consumer market for the fashion retail industry. China is currently the world’s second largest retail market, and Asia’s largest. It is expected to surpass the U.S. to become the world’s largest retail market by 2016. China’ GDP increased by 7.7% in 2013 on a yearly basis. The acceleration of economic growth will further stimulate apparel consumption and expand the potential of china’s fashion retail industry. Furthermore, government policy to stimulate domestic demand will certainly enlarge the market and provide opportunities for the development of the industry in future.

Shanghai is one of the largest consumer markets among all mainland cities due to the rising income level and the large inflow of tourist. Shanghai also is one of the bridgehead markets for foreign fashion brands. In 2013 Shanghai’s per capita disposable income of urban residents reached RMB 43,851, a year-on-year increase of 9.1%.
And the post-80s generation (people born in the years from 1980 to 1989) has gradually become a main force in the consumer market.

Many famous international brands set up mainly in big cities like Shanghai, and then establish their presence in provincial capitals and well-developed cities in mainland China. The rapid growth rate of mass fashion also provide a larger market space to affordable fast fashion brands such as Zara, H&M, C&A, Uniqlo and Forever 21.

Fast fashion refers to low-cost clothing collections that copy current luxury fashion trends. Fast fashion brands in general target the young fashion consumer group aged 25 to 35 years with higher incomes and good education, and position their clothes as “cheap luxury” to meet the needs of fast-changing and affordable fashion from consumers who want to be able to buy into the trends that they’ve seen from the catwalk as quickly as possible.

China’s retail market is evolving as quickly as it grows. With higher incomes and increasing sophisticated customers, they are demanding better quality and unique products and services.

For many organizations the ultimate objective is to build and maintain successful relationships with their customers. Nevertheless, it is not as easy as it seems for many organizations. The surest route to success for most fashion brands is to provide outstanding service that matters most to customers. The retail service quality in developed countries has been examined by a number of studies, (Plooy et al., 2012). Most research focused on the relationship and impact of the service dimensions on customer satisfaction without identifying which particular services within the dimensions are responsible for this impact. To this end, the current study will first examine the relationship of service dimension on customer satisfaction. The second stage will focus on indentifying which individual services, not service dimensions, have high impact on customer satisfaction in the retail sector.

From the customers’ perspective, services are evaluated on individual bases and not as dimensions therefore it is important to know these individual services so as to provide such services to establish loyalty. Thus the main research question the study seeks to answer is - which individual services have high impact on consumer’s satisfaction in the retail fashion brand stores?

**Objective of the Study**

**This study consists of the following objectives:**

- Examine the relationship of service dimension and customer satisfaction in the retail sector.
- Identify which individual services have high impact on customer satisfaction

**Literature Review**

**3.1. Retailing Industry**

Retail is the sale of goods and services from individuals or businesses to the end user and this is the last stage in the distribution process (Berman et al., 2004.)

The retail environment today is changing more rapidly than ever before (Dabholkar, 1996; Darshan 2006). Therefore, retailers today provide best services which focus on satisfying the needs of their current customers better than their competitors.

Over the past decade, the fashion industry in China has tripled in market size, reaching nearly RMB 400 billion by the end of 2010. In 1992, foreign retailers were allowed to enter the Chinese market for the first time. Shanghai is the biggest commercial city in China; the city is actively bringing in international and domestic brand-name products to enrich its consumer market as it slowly turns into an international shopping paradise. Therefore Shanghai becomes a mirror reflecting the general characteristics of the total apparel retail market in China as a whole and a window to preview the prospect of the Chinese apparel retail market in the near future (Nancy, Li and Wang , 2004).

**Service quality in Retailing Store**

Concept of service quality has been defined in different ways by different scholars. Gronroos (2007) define service as an economic activity that creates value and provide benefits for customers at specific times and places by bringing about a desired change in, or on behalf of the recipient of the services. In simple terms, services are deed, processes and performance.

The model proposed by Parasuraman et.al (1985) is the most well known and widely used in service quality literature (Sachdev and Verma, 2004; Shahin and Samea, 2010). They have defined the perceived service quality as the extent of discrepancy between customers’ expectations or desires and their perceptions.

The different definition of service quality has also resulted in many ways to measure this concept. Most of previous studies used SERVQUAL model to measure the service quality (Lassar, Manolis and Winsor, 2000; Long and McMellon, 2004). The model was based on gap analysis and it represents five gaps:

- Knowledge gap (Gap 1)
- Standard gap (Gap 2)
- Delivery gap (Gap 3)
- Communication gap (Gap 4)
- Service gap (Gap 5)

Gap 5 is the most important gap that represents the gap between expectations and perceptions of the service actually delivered (Parasuraman et al., 1985; 1988). There are five dimensions in SERVQUAL scale, which are tangibles, reliability, responsiveness, assurance and empathy. (Parasuraman, Zeithmal, and Berry, 1988). SERVQUAL has been tested and applied in different service industries, for example hospitals (Babakus&Mangold, 1989), dental school patient clinic business school placement center, tire store and acute care hospital (Carman 1990), and banking industries (Lassar et al., 2000; Zhu et al., 2002).

**RSQS Model**

Although SERVQUAL has been empirically tested in different service industries, it has not been successfully adapted to and validated in a retail store environment (Dabholkar et al., 1996; Finn & Lamb, 1991; Mehta et.al., 2000). To solve this problem, Dabholkar et al., (1996) proposed an instrument based on SERVQUAL which measures service quality in a retailing environment called Retail service quality scale (RSQS).

Dabholkar, Thorpe and Rentz (1996) claimed that RSQS is able and more suitable to measure a mix of services and goods, in a specialty or department store for example.

The RSQS was tested by Mehta et al., (2000) for measuring the service quality perceptions of supermarket consumers in Singapore and found it appropriate. Kim and Jin (2001) identified four dimensional structures was suitable to measure service quality, rather than the proposed five.

The Retail service quality scale have five dimensions and six sub-dimensions, they are namely:

- Physical aspects: store appearance and store layout
  - Sub-dimensions: Appearance and Convenience
- Reliability: retailers keep their promises an do things right.
  - Sub-dimensions: Promises and Doing it Right
- Personal interaction: associates are courteous, helpful and they inspire confidence and trust from the customer
  - Sub-dimensions: Inspiring Confidence and Courteous/Helpful
- Problems solving: associates are trained to handle potential problems, such as customer complaints, returns and exchanges
- Policy: operating hours, payment options, parking and credit cards.

These five dimensions are expected to be distinct, but highly correlated. RSQS includes 28 items which of 17 items were extracted from SERVQUAL and 11 items developed from literature review and their qualitative research.
Previous Research on RSQS

The RSQS was tested by Mehta, Lalwani and Han (2000) in Singapore market, and they made a conclusion that RSQS is more proper for supermarkets rather than for electronic goods stores, and physical aspects dimension and personal interaction dimension were important when explaining scale variance. When Das, Kumar and Saha (2010) evaluated validity and reliability of scale it was found that the RSQS is a good fit for the retail market in Kazakhstan. It was concluded that all five dimensions have a positive relationship in increasing the customer base (Das et al., 2010). Subhashini Kaul, (2005) applied the RSQS in the Indian Retail setting and observed that the scale may be used for assessing the overall services provided by the store and to track the changes in service over a period of time.

Some authors suggest that using RSQS in different cultures could be challenging (Mehta et al., 2000; Kim and Jin, 2002; Kaul, 2005; Gaur and Agrawal, 2006; etc).

Thenmozhi and Dhanapal (2010) validated the RSQS in the retail outlets context in India and the researchers found three new dimensions of retail service quality, namely, value added service, store merchandise and access. Kim and Jin (2001) tested across two cultural contexts USA and South Korea and identified, four dimensional structures was suitable to measure service quality, rather than the proposed five.

Kaul (2005) found only four of five dimensions of RSQS (policy and reliability dimensions were not distinguished) in India market. Furthermore findings of a research that was conducted to access the validity and reliability of RSQS by Parikh (2006) has also pointed out that RSQS was not supported in Indian retails. Singh and Singh, N (2011) compared various studies on service quality by using published research papers and concluded that the RSQS was not fitted to India retail context. A requirement of a completely modified RSQS was evident from their study.

Based on these arguments and to achieve the objectives of this study, the following hypotheses are developed

H1: All five dimensions of retail service quality have significant positive relationship with customer satisfaction
H2: Not all services provided have significant impact on customer satisfaction

Methodology

In order to achieve the objectives of the study, questionnaires were used as the main primary data collection method.

Questionnaire design and Data collection

The RSQS questionnaire developed by Dabholkar, Thorpe and Rentz (1996) was used as the data collection instrument. The questionnaire was translated into Chinese to ensure suitability for the research context and it consisted three sections. In section A, respondents were presented the four stores where they can only select one. Section B consists of 28 items relating to retail service quality and was based on Retail Service Quality Scale (RSQS) developed by Dabholkar et al. (1996). Respondents answers were related to the selected store in section A. Section B also included an item measuring customer satisfaction. The final selection collected respondents’ background information. The questionnaire were distributed to 121 respondents, 101 were considered valid and were used in this study, making a valid respond rate of 83.5%.

Survey sample

The population of the study is the consumers of the four foreign fashion brand retail store. The retail brands included are H&M, C&A, ZARA and Forever 21. As mentioned earlier, these set of retail brands are referred to as fast fashion brands. The choice of these retail brands was as a result of an initial foreign fashion retail store awareness surveys conducted by the author through personal interviews. These retail stores were mostly cited by majority of respondents as the retail store they often purchase from. Simple random sampling is the sampling method used. Utilizing this method minimizes bias and simplifies analysis of results. Table 1 provides data on demographics characteristics of respondents in terms of gender, age and foreign brands retail stores.
Table 1: Sample Characteristics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>17</td>
<td>17%</td>
</tr>
<tr>
<td>Female</td>
<td>84</td>
<td>83%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 and below</td>
<td>9</td>
<td>9%</td>
</tr>
<tr>
<td>21-25</td>
<td>53</td>
<td>52%</td>
</tr>
<tr>
<td>26-30</td>
<td>20</td>
<td>20%</td>
</tr>
<tr>
<td>31 and above</td>
<td>19</td>
<td>19%</td>
</tr>
<tr>
<td>Stores often frequented</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H&amp;M</td>
<td>49</td>
<td>48%</td>
</tr>
<tr>
<td>ZARA</td>
<td>33</td>
<td>33%</td>
</tr>
<tr>
<td>FOREVER21</td>
<td>13</td>
<td>13%</td>
</tr>
<tr>
<td>C&amp;A</td>
<td>6</td>
<td>6%</td>
</tr>
</tbody>
</table>

A reliability test was done to examine if customers’ perceived value of services were consistent and valid for research. As a general rule, a coefficient greater than or equal to 0.7 is considered acceptable and good indication of construct reliability (Spector 1992). All measures (with the exception of general policy dimension) appeared to be good indicators of each construct with multiple items. It should be noted that the values for the column labeled Corrected Item-Total Correlation were all above 0.3 with the exception of PI9 of the personal interaction dimension – “Customers seldom interacted with employees”, therefore item PI9 was eliminated and not included in later analysis. Eliminating of item PI9 increased Cronbach alpha and reduced personal interaction items to 8. The final results of reliability tests are presented in Table 2 and means and item total correlation in Table 3.

Table 2: Reliability analysis results of service dimensions

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>No. of items</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Aspects</td>
<td>6</td>
<td>0.751</td>
</tr>
<tr>
<td>Reliability</td>
<td>5</td>
<td>0.731</td>
</tr>
<tr>
<td>Personal Interaction</td>
<td>9*</td>
<td>0.815</td>
</tr>
<tr>
<td>Problem Solving</td>
<td>3</td>
<td>0.718</td>
</tr>
<tr>
<td>General Policy</td>
<td>4</td>
<td>0.602</td>
</tr>
</tbody>
</table>

*Eight items represented personal interaction dimension
### Results and Analysis

Empirical results were found for the positive relationship between service dimensions and customer satisfaction. All service quality dimensions had significant relationship with customer satisfaction. This was achieved through correlation analysis. Personal Interaction dimension and Physical aspect dimension explained the highest, 41% and 37% respectively. Problem Solving with 8.6% explained the lowest, whereas Reliability explained 21.2% and Policy dimension explained 17% of the amount of variability in customer satisfaction. The results support H1.
Table 4: Correlation output for service dimensions and satisfaction

<table>
<thead>
<tr>
<th></th>
<th>Satisfaction</th>
<th>Physical</th>
<th>Reliability</th>
<th>Personal Interaction</th>
<th>Problem solving</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>1**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical</td>
<td>.607**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>.459**</td>
<td>.564**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Interaction</td>
<td>.640**</td>
<td>.646**</td>
<td>.703**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Problem solving</td>
<td>.293**</td>
<td>.415**</td>
<td>.601**</td>
<td>.624**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Policy</td>
<td>.414**</td>
<td>.509**</td>
<td>.482**</td>
<td>.619**</td>
<td>.526**</td>
<td>1</td>
</tr>
</tbody>
</table>

**P<0.01

With respect to hypothesis H2, which states that “Not all services provided have significant impact on customer satisfaction”, stepwise regression analysis was employed using SPSS 19. Stepwise linear regression is a method of regressing multiple variables while simultaneously removing those that aren’t important. Stepwise regression essentially does multiple regression a number of times, each time removing the weakest correlated variable. The retail service quality is viewed as an independent variable and customer satisfaction is considered as the dependent variable. The goal was to select the actual predictor variables (i.e. Service quality) that achieve a balance between simplicity and fit.

As a result, six individual services were identified, 3 for personal interaction dimension; 2 for physical aspects dimension; and 1 for problem solving dimension.

Table 5: Regression analysis output

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Estimate</th>
<th>Standard Error</th>
<th>Standardized Estimate</th>
<th>T-Value</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>.678</td>
<td>.377</td>
<td></td>
<td>1.800</td>
<td>.075</td>
</tr>
<tr>
<td>PA1</td>
<td>.220</td>
<td>.072</td>
<td>.231</td>
<td>3.044</td>
<td>.003</td>
</tr>
<tr>
<td>PI5</td>
<td>.204</td>
<td>.077</td>
<td>.249</td>
<td>2.645</td>
<td>.010</td>
</tr>
<tr>
<td>PA6</td>
<td>.208</td>
<td>.067</td>
<td>.247</td>
<td>3.088</td>
<td>.003</td>
</tr>
<tr>
<td>PI4</td>
<td>.204</td>
<td>.066</td>
<td>.247</td>
<td>3.074</td>
<td>.003</td>
</tr>
<tr>
<td>PI1</td>
<td>.169</td>
<td>.068</td>
<td>.212</td>
<td>2.495</td>
<td>.014</td>
</tr>
<tr>
<td>PS3</td>
<td>-.180</td>
<td>.080</td>
<td>-.189</td>
<td>-2.260</td>
<td>.026</td>
</tr>
</tbody>
</table>

R2 = .524, Adjusted R-Square = .49, F-Value = 17.263, Sig. Level = .000

PA1 (X has modern-looking equipment and fixtures), PI5 (employees in X tell customers exactly when services will be performed), PA6 (X layout makes it easier for customers to move around), PI4 (employees in X give prompt service to customers) PI1 (employees in the store have the knowledge to answer customers' questions), PS3 (employees are able to handle customer complaints)

Results indicate the model explains half of variation in customer satisfaction, 52% to be specific. It means out of the 27 items measuring service quality dimensions, customer satisfaction in these selected fast fashion brands in Shanghai is mostly determined by these six individual services (PI5, PA6, PI4, PA1, PS3 and PI1). Thus H2 was also supported.
Conclusion

According to the results of the study, the objectives were all met. With regards to the relationship between service dimensions and customer satisfaction, all dimensions have a strong positive correlation with customer satisfaction. Further it revealed, physical aspects dimension and personal interaction dimension were important when explaining scale variance of satisfaction. This finding was consistent with previous studies examining this relationship.

It was also evident there are significant services that have high impact on customer satisfaction. Among the 27 items measuring the five dimensions of service quality, six were identified to have high impact on customer satisfaction. Out of these six, three falls under the personal interaction dimension making this dimension vital to customers’ satisfaction. Customers are more satisfied when store associates are courteous, helpful and inspire confidence.

The next important dimension is the physical aspect dimension. Two of the identified significant services belonged to this dimension. Customers demand fashion retail stores to have modern looking equipment and fixtures and also convenient to move around easily when in the store.

The final service identified had a negative impact on customer satisfaction. This was PS3 which states that “employees are able to handle customer complaints” and falls under the problem solving dimension. This means when problems are not solved, it will decrease their level of satisfaction.

Management in these fast fashion brands first need to empower their staff by constant training so as to effectively provide assistant to customers as well as with relevant and timely information. Their communication skills and helpfulness should also be developed. Secondly, it is important for the appearance of the store to be modern-looking. Store layout design should make it easier for customers to move around and this will reflect in their overall shopping experience. Finally, improving problem-solving skills of staff and using updated systems to process complaints so as to better handle customer complaints is important.

Limitations

Despite these new findings, the study has important limitations which need to be articulated and considered. In view of the relatively small random sample size on which the study was based, the application of the findings is to a limited extent. Future research should increase the sample size for better generalization. The study is also confined to foreign fashion brands referred to as fast fashion brands. Future research could consider including Chinese fashion retail brands that have similar market positioning.

References


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Website: