Switching Intentions: A Case of Saudi Arabian Hypermarkets

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ABSTRACT

Switching intention (SI) of consumer is sought as main issue of retailing due to its negative effects on market share and profitability of retail outlet. Now firms need to know the factors, which contribute to choose another outlet, and customer changes its patronage elsewhere. For this reason, it is very important for firm to understand the reasons of consumer switching to maintain their long lasting relationship with customers. This study is about the impact of retail service quality on customer satisfaction (CS) by using retail service quality model and moderating role of ethnic store (ES) in SI of satisfied customers. The purpose of the paper is to looks into the determinants of SI and attempts to answer why satisfied customer switch and do not maintain the relationship with current store. Statistical population is the customers of hypermarket in Saudi Arabia. The research method is based on descriptive – survey and data analysis method is by structural equation modeling by using Amos software. Significant positive effect of dimensions of retail service quality model on CS is found. Moreover, the moderating role of store ethnicity is also proved for CS-SI links, which exhibits that store ethnicity affects the behavior of satisfied customers and they intend to switch to their ES.

Keywords: Retail Service Quality, Ethnicity, Retail Customers, Hypermarket, Switching

JEL Classifications: M000

1. INTRODUCTION

Retailers worldwide are now realizing the value of preventing existing customers to discontinue the relationship; however, there is a significant lack of understanding on the mechanism by which customers are made behaviorally loyal to particular retailers (Vesel and Zabkar, 2009; Bhatti et al., 2010). This high selection power of consumers of hypermarkets has made it extremely difficult for hypermarkets to devise effective strategies to prevent their customers to switch to alternative service channels (Torlak et al., 2010). Hypermarkets nowadays know that by losing existing customers they are not just losing future earnings and suffering the cost of finding new consumers, rather, they will greatly suffer from losing potentially loyal customers that means losing less price-sensitive consumers (Keaveney and Parthasarathy, 2001; Rasli et al., 2014). Moreover, it is well agreed that by losing customers, the chances of existing customers bringing new customers to the hypermarket is minimized.

Despite the awareness of hypermarkets regarding the importance and value of retaining existing customers by preventing from switching to other service channels, they do not exactly know how to predict the purchasing behavior of existing consumers, and to be successful in avoiding the customers to switch, particularly in emerging countries (Demirci Orel and Kara, 2014; Nazir et al., 2014). The reason being for such an unpredictability of consumers’ behavior of hypermarkets is the fact that in the hypermarket/supermarket context, the basis of consumers’ choice and continued purchasing behavior are significantly less obvious (Mittal and Lassar, 1998). While on contrary to service industries such as insurance and banking in which consumers subscribe to a particular service for a relatively long period of
time, subscription and its commitment provided is almost non-existent in hypermarket/supermarket context (Anton et al., 2007; Qureshi et al., 2014). Switching intention (SI) of consumer is sought as main issue of tailoring due to its negative effects on market share and profitability of retail outlet. Now firms need to know the factors, which contribute to choose another outlet, and customer changes its patronage elsewhere. For this reason, it is very important for firm to understand the reasons of consumer switching to generate zero defection culture (Nikbin et al., 2012; Shezad et al., 2014) and to maintain their long lasting relationship with customers.

Another reason for difficulty in analyzing the purchasing behaviors of consumers of hypermarket is the fact that besides emphasizing on product quality, consumers particularly care about intangible service quality. This means that the quality of services offered by a hypermarket is of prime importance to the formation of purchasing behavior of the existing consumers (Kumar et al., 2012). Its quite important to understand the key determinants of SI for long-term profitability of hypermarkets. For this reason, there is a need of guidelines available to hypermarkets, particularly in KSA, that can assist with effectively avoiding existing customers to switch to other brands/services.

Since effective assessment of hypermarket consumers’ purchasing behaviors, particularly in term of SI entails incorporating and measuring several cognitive and environmental variables, and even some cultural determinants, it is safe to infer that any research method/model designed for analyzing the hypermarket consumers satisfaction in terms of switch intentions should be designed in a way to be able to address any contextual particularities of the target groups, which for example are consumers of hypermarkets/supermarkets in Kingdom of Saudi Arabia (KSA). The general purpose of this research is to redesign an alternative a model in retail setting of Saudi Arabia, which can examine the impact of retail service quality, customer satisfaction (CS) on SIs in the presence of newly introduced moderator as ethnic store (ES). In this research we aim to investigate the effect of RSQS (with five dimensions) on CS within the hypermarket of KSA and the effect CS on SIs. Moreover, the moderating role of Ethic Store on the relationship between customer’s satisfaction and SIs within the hypermarket of KSA will also be explored. The main objective of this study is to see the consequences of retail service quality in terms of CS within hypermarket industry in region of Saudi Arabia and outcomes of CS in the form of reduced SIs. Switching of customers has become a vital issue for today’s retailer. Hypermarkets are trying hard to retain their customers through higher service quality and satisfaction. In addition to this store, ethnicity is playing a major role in switching of even satisfied customers and behavior of a foreign customer for ES has become a question for retailers.

2. LITERATURE REVIEW

2.1. Retail Service Quality (RSQ)

According to a definition provided by Chakrabarty et al. (2007), service quality is conformance of customer’s expectations in the process of service encounters. The role of service quality in retail outlets cannot be compared with pure service or product oriented companies due to the unique nature of retail organizations which offer a combination of goods and services (Finn, 2004) and service quality cannot be measured in the same way as in service industries. Dabholkar et al. (1996) proposed hierarchical factor structure to measure retail service quality comprising of five basic dimensions: (1) physical aspects; (2) reliability; (3) personal interaction; (4) problem solving; and (5) policy.

1. Physical aspects: It emphasizes on the appearance of the physical facilities offered by store in terms of store’s appearance and how clean the store’s public facilities are. The convenience is the layout of the physical facilities offered to the customers. It’s the combination of functional aspects like privacy, comfort and layout and aesthetic aspects such as the color combination, materials used, style of the store and architecture.
2. Reliability is viewed as a store’s ability to keep promises and doing it right at first time.
3. Personal interaction is a combination of two sub dimensions which are service personnel inspiring confidence and being courteous/helpful which implies to the friendly behavior of the employee for inspiring confidence and trust and availability of helpful employees when needed.
4. Problem solving is a new dimension, addresses the issues relevant to managing the potential problems of customers in terms of returns and exchanges and handling complaints. Problem solving dimension has separated from the personal interaction dimension as it deals with the area of service recovery which is a critical factor of service quality.
5. The policy is also a new dimension, represents the policy of the store which has direct influence on service quality attributes. This dimension embraces the set of strategies, procedures and store policies such as availability of parking spaces, convenient operating hours, high quality merchandise, payment options, store credit card, acceptance of well-known credit cards and charge policies.

In the replication of Dabholkar et al. (1996), the results of Boshoff and Terblanche (1997) study are quite promising indicating the high applicability of RSQS in the context of specialty stores, and hypermarkets, department stores in South Africa. The same results were concluded in the study of some researchers who asserted the validity of five dimensions of instrument in retail stores in Kazakhstan (Das et al., 2010), Malaysia (Leen and Ramayah, 2011), Northern Cyprus (Nadiru and Tu’ mer, 2009) and India (Kumar et al., 2012). Ramakrishnan and Ravindran (2012) reported that RSQS is more reliable in a four factor structure than in five factor structure. Nguyen and Le Nguyen (2007) replicated research to evaluate validity of RSQS in Vietnam and found that four factor structures including the dimensions of the physical aspects, personal interaction, reliability and policy are enough to evaluate service quality whereas problem solving dimension tends to converge under the other four factors. Ravichandran et al., (2008) also supported the same results in his research study in India. Furthermore (Torlak et al., 2010) identified that problem solving dimension is not found as separate dimension but included in personal interaction and policy factors while
applying RSQS in supermarkets and discount stores of Turkey.
Kaul (2007) examined RSQS through EFA and found four factor structures whereas CFA analysis failed to prove fitness of the RSQS model within the context of large format apparel stores in India. Gaur and Agrawal (2006) claimed that there is a need to refine RSQS as it is failed to measure retail service quality in Indian context. In another major study of Kim and Jin, (2002) with U.S. and Korean customers of discount stores, results indicated that customers in different cultural settings perceive service quality in different manners and found that that RSQS is more suitable in context of US customers as compare to Korean customers. However, the constructs were reduced into a three-factor structure (physical aspects, reliability and personal interaction), against what was proposed though they did not find personal interaction and problem solving dimensions or support for a distinct policy dimension. Again (Lee et al., 2009) measured service quality in California by using three dimensions of RSQS which are reliability, personal interaction, and problem solving. According to the recent research in India conducted by Khare (2013) reported that retail service quality for Indian consumers comprises of ambience, layout, and service/relationship dimensions. Service quality has become the most important factor to success of retail business and considered as an antecedent of CS (Kumar et al., 2010; Zeithaml et al., 2006). Moreover CS is considered a consequence of service quality (Reimann, et al., 2008).

In today’s intense competition, customer is well informed, more demanding and expects service quality apart from product quality (Leung and To, 2001) so retailers are required to understand the concept of service quality in order to satisfy the needs and wants (Kim et al., 2005). Service quality has direct and positive impact on CS (Yee et al., 2010) which subsequently produces high revenues, higher customer retention (Bennett and Higgins, 1988) through repeat purchasing behavior (Taylor and Baker, 1994) and expanded market share (Bowen and Hedges, 1993). It is generally believed that higher levels of service quality lead to higher levels of CS (Pollack, 2008) which indicates significant effectiveness of the retailers’ performance (Leung and To, 2001). Excellent service quality contributes in increased customer base and value through retention of satisfied customers (Zeithaml, 2000) who are most likely to remain loyal (Wong and Sohal, 2003). High service quality not only attracts new customers but retains existing customers and also attracts the customers of low service quality provider (Babakus et al., 2004).

Numerous studies have attempted to explain the relationships between service quality and other consumer variables such as CS, customer value and customer purchase intention (Zeithaml et al., 2006). In banking, Service quality attributes are positively related to CS and CS is positively related to customer loyalty (Siddiqi, 2011). It is proved in empirical study of Athanassopoulos (2000) that service quality, price, convenience and innovation are determinants of CS. According to the mentioned content, in this study it is intended to use the RSQS model to measure the amount of the relationship between service quality and CS in hypermarkets in Saudi Arabia.

2.2. CS
Satisfaction is the customer’s response which indicates the level of fulfillment in terms of how pleasant or unpleasant the experience was (Oliver, 2009).

Expectation - disconfirmation theory suggests that customer’s satisfaction depends upon the difference between performance and customer’s initial expectations (Vogel et al., 2008). In this way satisfaction/dissatisfaction is a result of comparison of performance of product/service with prior expectations of the customer. There are three possible results of comparison. Positive disconfirmation occurs when a customer perceives performance better than his initial expectations (Anic and Radas 2006) and becomes delighted. Zero disconfirmation takes place when performance is equal to prior expectations of customer leaving him satisfied. Finally, negative disconfirmation arises when performance is lower than expected performance (Anic, 2006) and results in dissatisfied customers. There is a positive and significant relationship between service quality and SIs which indicates the higher deficient service quality, the higher SI (Yudhitya, 2012).

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2.3. SI
Consumer switching is the migration of consumers from one service to another (Ranganathan et al., 2006). SI is the signal of termination of customer’s relationship with current service provider partially or fully. Partial switching allows customer to keep relationship with existing firm while adopting new behaviors (Wagner and Friedl, 2007). Although it may be reasonable to assume that customers can be influenced to switch service providers by a single critical incident, many researchers suggest that defection may also occur from multiple problems encountered.
over time (Hocutt, 1998). Extensive research shows that price and service failure (Gerrard and Cunningham 2004) and consumers’ perceptions about alternative attractiveness and satisfaction could be a deciding factors for consumers to switch (Anton et al. 2007).

High service quality motivates customers to have strong and long lasting relationship with firm (Hess et al. 2003) whereas in case of low level of service quality affects customer intention to exit the relationship or switch (Anton et al., 2007). It is evident through researches (Dube and Maute, 1996) that low service quality make few dissatisfied customers to complain but they might not switch but many dissatisfied customers will likely to switch to other firm without complaining and will be a source of negative word of mouth. Lim et al. (2006) says that CS are influenced by the level of service quality through emotional and economic factors. Rahman and Azhar (2011) found that high switching activity can be seen in both developed and developing economies. Thus, low service quality perception is the obvious reason of high SI (Shin and Kim, 2008). Change in consumer’s attitude towards firm or in their behaviors is provoked by poor quality or variations in firm’s quality levels (Bansal et al., 2005). Poor service quality can cause switching. Service failure severity is how seriously customer perceives the service failure. Service failure causing customer’s losses could be tangible, monetary loss, intangible; time or energy (Smith et al., 1999).

Severity plays an important role in the evaluation of service provider and customers weigh service failures more heavily than gains enjoyed (Kahneman and Tversky, 1979). Retailers should prioritize their objectives by determining whether they want merely to satisfy customer with their performance or to deliver maximum level of service quality (Spreng and MacKoy, 1996). Researchers have proved that poor service quality is one of the main reason of customer switching to competitor’s brand (Weitzel et al., 1989) as customers tend to shift to competitor’s products because of the dissatisfaction of service quality rather than product quality itself (Whitey, 1991). It was argued that customers will exhibit more dissatisfied behavior for increased failure frequency or if they perceive that firm had ability to prevent it (Choi and Mattila, 2008).

Reoccurring service failure or delay in service provokes dissatisfaction in customers (Diaz and Ruiz, 2002). Attributions from customer can be influenced by firm’s offer to customer for service recovery to compensate him in case of service failure. This can develop thinking in customers that firm cares for him and such failures will not happen again (Bitner, 1990). Attribution theory posits that high expectations result in high satisfaction (Brown, 2004). According to Keaveney’s (1995) the second most common reason of switching is service encounter failure. Service encounter failure could be bad attitude or unresponsiveness from employees while dealing with customer’s complaints or providing support.

To illustrate SI, it is the probable customer’s action to exit from current relationship to competitor’s offerings (Dekimpe et al., 1997). Dissatisfaction is the main cause of SI (Keaveney, 1995). Moreover dissatisfied customer will have gradual decreasing payment trend which may result in SI (Homburg and Fürst, 2005). Oliver (1981) found that CS is negatively associated with switching intent (Walsh et al., 2006). It is popularly believed by Ganesh et al. (2000) and Han et al. (2011) that satisfied customers will show less SI, stressing the negative relationship of CS with switching intent whereas (Bansal and Taylor, 1999) found that dissatisfied customers are more inclined to switch.

Yoon and Bae (2010) found in their study that CS and switching intent has nonlinear relationship whereas Durukan et al. (2011) announced significant positive relationship between CS and switching intent after collecting the evidence of switching intent of even satisfied customers. CS is not the promising factor to stay with firm and there is a tendency of switching brands in satisfied customers also (Bitner, 1990) with complaint behavior (Halstead and Page, 1992). Customers may have SIs before reaching a certain threshold of CS. Once they reach to that threshold SIs start decreasing (Fullerton and Taylor, 2002). Contrasting viewpoint of Steenkamp and Baumgartner (1995) shows that despite of increased level of satisfaction, customers show switching behavior not for dissatisfaction but rather to try new attractions.

In today’s intense competition era, customers show their loyalty to multiple brands instead to single brand. Under these circumstances, SI is not easy to control or predict. Although CS and switching intent are correlated but not linear (Finn, 2005) so that is why there is no assurance that highly satisfied customer will demonstrate increased loyalty and reduced SIs and satisfied and loyal customers can also terminate the relationship (Ganesh et al., 2000). As there are evidences of defection of highly satisfied customers to competition (Kapferer, 2005), firm should concentrate on loyal customers instead of satisfied customers (Jung and Yoon, 2012) as Kotler and Gertner (2002) stated that loyal customers do not exhibit SIs. Researchers in the area of banking (Oechsli, 2002), pulp and paper (Perkowski, 2003), and health care (Huff, 2007) industries, came out with the notion of satisfied but disloyal customers which forced researchers and business practitioners to give more emphasis on the importance of CS.

2.4. ES

Markus (2008) states that ethnicity is to group people based on common factors like physical appearance, nationality, history, religion, language and region of origin. A number of research efforts in the past two decades have focused on the effects of consumer ethnocentrism, the product/brand country of origin and country image on consumer perceptions, buying intentions and purchase behavior (Shankarmahesh, 2006). Ethnicity is one of the notable sociological factors which influence consumer behavior. Ethnicity is an attitude which differentiates his group from other groups. Several attempts have been done to investigate the role of ethnocentrism in the context of consumer behavior, including Cleveland et al. (2009), John and Brady (2009); Horn (2009); Hsu and Nien (2008); and Sihombing (2005) who reported the strong influence of ethnocentrism on the selection and preference of a product. On the basis of the social psychology literature (Tajfel, 1974, 1982) it was concluded that consumers have a preference for their home country (Shimp and Sharma, 1987). In broader terms Markus (2008) states that ethnicity is to group people based on common factors like physical appearance, nationality,
history, religion, language and region of origin. (Burlew, 2000) reinforces it by stating that ethnic identity is a sense of self of individual including kinship, language, race and culture and (Phinney, 1989, 1996) this concept applies in multiple racial and ethnic groups. Ethnic identity consists of: one’s self-identification as a group member; comparison of his attitudes and evaluations with reference to his group; one’s commitment and extent of ethnic knowledge; attitudes about oneself as a group member; and behaviors and practices in terms of ethnicity (Phinney, 1991). People behave differently how closely they relate themselves with their assigned ethnic group and to what extent group identity is important for their personal identity (Phinney, 1996a).

It can be concluded from the research of (Ouellet, 2005) that buying behavior of consumers also depends on ethnicity of the product’s company or company owners as the basis of their judgments on country of origin and ethnicity is emerging influential determinant of consumer behavior (Ouellet, 2007). Customers who strongly identify themselves as similar to service providers (Coulter and Coulter, 2002), experience more comfort and less interpersonal barriers during service encounter. While investigating the consumer behavior towards foreign owned supermarket chain in relation to their cultural background, ethnic identity and levels of consumer ethnocentrism, negative relationship was found between consumer ethnocentrism and support for foreign retail outlets (Zarkada-Fraser and Fraser, 2002). Similarly foreign customers in Saudi Arabia are getting attracted to the store with same ethnicity what they have.

2.5. A Conceptual Framework of Research

By reviewing of research literature and backgrounds, the conceptual framework of this study is as follows in Figure 1.

3. METHODOLOGY

The type of investigation in the present paper is correlation as well as causal in nature because it is an attempt to investigate the strength of relationship among variables and further it will test the cause and effects of the most significant factors that contribute to impact of RSQ, CS and on SI(SI) of customer. The data will be collected via personal by visiting hypermarkets and respondents in face to face meetings to get filled the questionnaire by customer and by sending questionnaire through online. The sample data is to be collected from five hypermarkets and supermarkets customers in Saudi Arabia. The present study will utilize non probability sampling technique to collect the data from four hypermarkets such as Panda, Lulu, Carrefour and Othaim markets. For the present study the data will be collected through a survey which will yield quantitative information that can then be concise through statistical analysis (Sekaran, 2006). This falls in to the realm of a quantitative data analysis. Data analysis will be done by using AMOS software applying structural equation modeling.

4. PRACTICAL IMPLICATIONS

Marketing experts and managers can apply RSQS to identify that which dimension of RSQS has greater impact on building CS and creating customer loyalty. Moreover managers can assess that which factors of RSQS are causing SI to improve that area. The findings of the study will enable hypermarkets management pursuing consumers not to switch and give them chance to understand which strategy can better prevent excising consumers to switch to other brands and services, in the presence of service quality or both? By understanding the role of Store ethnicity would enable the managers of hypermarkets to better devise their strategies in attracting ethnic groups or competing with ES. The study offers store ethnicity as a unique moderator to the context of hypermarket SI of satisfied consumers in KSA, which can significantly interact with service quality strategies of hypermarkets. Accordingly, this study is among the first to suggest the moderating variable of ES as the key determinants of consumers’ SI in retailing setting and thus adding another theoretical contribution for researchers in market area.

5. CONCLUSION

Significant positive effect of service quality on CS is found. Moreover, the moderating role of store ethnicity is also proved for CS-SI links, which exhibits that store ethnicity affects the behavior of satisfied customers and they intend to switch to their ES.

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Figure 1: Conceptual model

![Conceptual model](image-url)


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