

**INFLUENCES ON RETAIL SERVICE QUALITY IN THE GULF REGION:
LESSONS FOR ENTREPRENEURS**

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October 2002

USASBE Conference January 23-26, 2003

Keywords: Retail, Service Quality, Gulf Region, Kuwait, Lebanon

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ABSTRACT

The Middle East is a growing and lucrative marketplace. This exploratory study examines retail service in the Gulf Region, particularly in Kuwait and Lebanon, regions with long histories of trade. Retail service, however, has not been well documented in this region. This is an early study examining customer and salespeople perceptions of service encounters in these countries, in light of their culture, religion, and nationalities. As retailers expand into new markets worldwide, such information is vital to their success.

INTRODUCTION

Prior to the Gulf War and the 9/11 attacks on the United States, many in the U.S., and other Western countries, knew very little about the Middle East. Westerners generally recognize the Middle East as an oil-rich region, but few have a deeper understanding of the market opportunities in this region (Abbasi and Hollman, 1993). The discovery of commercial quantities of oil in the 1930s enabled the transformation of a nomadic desert society to the economically and ethnically varied countries of the modern Middle East (Commerce, 2001). Today, Middle Eastern economies are diversifying and wealth is spreading beyond the royal families to those in lower socio-economic classes. Growing middle and upper-middle classes have spurred the development of retail stores in the Gulf Region. These changes present opportunities for entrepreneurs. We examine retail service quality (SQ), from the perspectives of both customers and salespeople, across a variety of stores in Kuwait and Lebanon. The results will help entrepreneurial retailers better understand Middle East (preferentially referred to as the Gulf Region) customers.

BACKGROUND AND LITERATURE REVIEW

History of the Gulf Region

To understand the people of the Gulf Region one must first understand the importance placed on culture, religion, and nationality. It is on these cornerstones that human relations are based, including customer relations. After religion, nationality probably has the next most significant effect on human relations, but both influence culture. Far from being a homogenous culture, the Gulf Region is characterized by different cultural values that could influence SQ.

Retailing

The Gulf Region has been largely neglected by Western marketing scholars, yet is becoming increasingly important to them (Tuncalp, 1988). Because retailing is a high-service industry, often characterized by small stores, and for other reasons, such as the lack of incentives and ignorance about other cultures and consumer behavior, retailers have been generally reluctant to cross national boundaries – at least very far. As home markets have become more saturated, though, it has become imperative for retailers to expand into new markets.

Even though the biggest U.S. retailers are larger than their global competitors, they are typically less international. European retailers have taken the lead in globalization, leaving U.S. retailers far behind (Clarke, 2001). Western retailers strategically concentrate on improving service and convenience to create a competitive advantage. These issues are also important as retailers expand their markets to the Gulf Region, and they present unique opportunities for entrepreneurs.

The Market

The Gulf Region is home to ancient civilizations and trading has long been important in this part of the world. Much of the area's needs continue to be available through imports (Leonidou, 1995, Tuncalp, 1988). Importantly, there are some marked differences between retailing in the Gulf Region and in Western countries, two of which are particularly important. First, residents of the Gulf Region countries are Muslim, although there is a wide degree of variance in practice. In the most dogmatic countries, such as Saudi Arabia, religious traditions require separation of genders and modifications to retail physical structures. Second, traditional business practices may still persist. The art of negotiation, or haggling, over prices still exists, but may be inconsistent with modern retailing.

On the other hand, Gulf Region customers are increasingly sophisticated in their needs (Leonidou, 1996). Access to various forms of media, including broadcast, print, and, increasingly, the Internet, provides Gulf Region customers with knowledge and information and many have high disposable incomes and the means to buy luxury goods. The Gulf States are becoming much less homogeneous in ethnicity and therefore needs. Foreign workers are hired to do the more menial tasks. As a result, much of the population is made up of people from the Philippines, Indonesia, India, Pakistan, and other nearby nations. These people often have very different needs and ways of satisfying them, presenting opportunities for entrepreneurial retailers (Abbasi and Hollman, 1993).

Service Encounters

Service encounters refer to the "period of time during which a consumer directly interacts with a service" (Shostack, 1985). Winsted (1999) found that different cultures do have different expectations of the quality of service encounters. As a result, different quality levels of service encounters may be expected and delivered in developing countries (Malhotra et al., 1994). Little work has been reported comparing customer and salespeople perceptions of service encounters in international retail operations. It is of particular interest due to the expanding role of retailers into the world market and the great potential the Gulf Region offers.

HYPOTHESES

National Culture

Culture can have a major impact on customer service. Geert Hofstede identified four main value dimensions affecting cultures, power distance, uncertainty avoidance, individualism, and masculinity (Hofstede, 1980). A fifth dimension, long-term orientation, was later added to better explain Chinese cultural values (Hofstede, 1994). National culture is usually considered a most

important influence in cross-national management and Hofstede's work has demonstrated the usefulness of the five value dimensions in cross-national studies.

The Gulf Region undoubtedly has similarities with other Arab cultures; it is also different in some respects. Islam is probably the unifying thread, but oil, and its ramifications, has been a differentiating factor. Oil revenues rapidly made the Gulf Region wealthy, but cultural changes have been much slower. As a result, traditional tribal cultures vie with modern cultures, creating a unique cultural society.

Culture seems to play a role in the perception of SQ (Furrer, Liu, and Sudharshan., 2000) and in SQ expectations (Donthu and Yoo, 1998). Hofstede's Power Distance Index (PDI) has also been related to expectations of service quality (Donthu and Yoo, 1998). In the Gulf Region, most respondents are expected to be from high PDI cultures. Retail stores in the Gulf Region often employ foreign nationals as clerks and salespeople to provide service to customers and these people are often of lower socio-economic class, possibly influencing their SQ expectations. Thus, Kuwaiti customers are expected to have higher expectations of SQ than non-Kuwaiti customers, who are typically from less affluent countries. This leads to our first hypothesis.

H1: Kuwaiti customers will have greater expectations of service quality than non-Kuwaitis.

We expect perceptions of SQ of Kuwaitis to be lower than those of non-Kuwaitis, especially those from non-Arab countries. Kuwaiti nationals have had positions of privilege and been able to travel to Europe, the United States, and resort destinations. Many have been exposed to the retail service levels offered by these facilities and will perceive they are getting less service quality, in their home country.

H2: Kuwaiti customers will have lower perceptions of service quality than will non-Kuwaitis.

Kuwaitis often hire employees from other countries to perform retail service functions. Their roles as employees are likely to result in differences in service quality expectations, so we predict that their service quality expectations will be higher than those of customers. Service providers (sales people and managers) will likely believe that the services they provide are what the customer really wants.

H3: Employees and customers will differ in their service quality expectations such that employees will expect higher levels of service quality than will customers.

Fatalism

People in the Gulf Region are generally considered to be a high-context culture. High context cultures tend to communicate more on non-verbal levels than do low context cultures. High context cultures are usually more homogeneous than low context cultures and, in general, high context cultures are also more fatalistic than low context cultures. People with high levels of fatalism do not believe they have much, if any, control over events that affect them and these

events are controlled by fate. Fatalism seems related to Hofstede's uncertainty avoidance cultural value dimension. Past research suggests more fatalistic people respond less actively to dissatisfaction (Foxman, Raven, and Stem, 1990), which we extend to perceiving lower service quality. Thus, high fatalism individuals should perceive service quality as being lower than less fatalistic individuals.

- H4:
- a. Individuals with high fatalism values will have lower service quality expectations than those with lower fatalism values.
 - b. Individuals with high fatalism values will have lower service quality perceptions than those with lower fatalism values.

Gender

Gender roles are often culturally defined, such that in each society there is a men's culture and a woman's culture (Hofstede, 1991). In traditional cultures characterized by high power distance (PDI) and greater masculinity, gender roles are fairly rigidly defined (Hofstede, 1980). The influence of Islam on gender roles is strong, but varies considerably within the Gulf Region. At the extreme, as in Saudi Arabia, segregation of customers by gender may require separate facilities for each, such as schools, banks, and hotels (Kassem, 1989). Other Gulf States practice gender segregation to a lesser extent, but it still exists. Because it is more likely that men will have had more experience in shopping and evaluating service encounters from travel abroad, we expect that men will have greater expectations for retail SQ than women. Women may take a lesser role in shopping and thus have lower expectations. Women, on the other hand, should perceive retail SQ as greater than men because of their more subservient societal roles.

- H5: Gender will influence both service quality expectations and perceptions:
- a. Males will have higher expectations of SQ than females.
 - b. Females will have higher perceptions of service quality than males.

METHODOLOGY AND RESULTS

Sample

A convenience sample of customers and store employees in Kuwait and Lebanon was surveyed. Most customers and employees were from the Gulf Region or other Asian countries. The survey was in English and completed in the stores. This resulted in 273 complete and usable customer responses. Employees, primarily salespeople and their managers, were also surveyed in the same stores, resulting in a sample of 178 usable responses. The retail stores in which the survey was conducted were located in Kuwait (85.7%) and in Lebanon (14.3%). The stores were located in shopping centers (40.3%), on the street (23.8%), and separately (34.7%). More than 100 stores were sampled – most were small in size, although department stores were also sampled. A wide variety of products were offered by the stores, including automotive parts, electronics, travel, banking products, fashion clothing, sports, food, books, as well as many other products and services.

Measures

SERVQUAL The primary measure of interest was the quality of service encounters, consisting of expected service and perceived service outcomes. The SERVQUAL scale (Parasuraman, Zeithaml, and Berry, 1986, Parasuraman, Zeithaml, and Berry, 1988) has a long, well-supported history in the literature. The expectations/perceptions items are measured on five dimensions:

Tangibles – appearance of the physical facilities, personnel, etc.

Reliability – ability to perform service dependably and accurately

Responsiveness – willingness to help customers

Assurance – knowledge and ability of employees and their ability to convey trust and confidence

Empathy – caring, individualized attention

Fatalism Fatalism refers to the level of control people believe they have over outside events. High levels of fatalism suggest people believe they have little control over events affecting their lives. Farris and Glenn (1976) developed a scale to tap this dimension. A seven-point Likert scale anchored by strongly disagree / strongly agree was used. The questions asked respondents the extent to which they agreed with the following statements:

- Making plans only brings unhappiness because the plans are hard to fulfill.
- It doesn't make much difference if people elect one or another candidate, for nothing will change.
- With the way things are today, an intelligent person ought to think about the present, without worrying about what is going to happen tomorrow.
- The secret of happiness is not expecting too much out of life and being content with what comes your way.

National Culture National culture was determined by asking respondents their nationality. The countries reported were collapsed into six categories, Kuwait, Other Arab States, Lebanon, India/Sri Lanka/Bangladesh, N. America/Europe, and the Philippines. According to the cultural cluster typology (Gupta, Hanges, and Dorfman, 2002), the first three are included in the Arab Culture cluster, the fourth and sixth in the Southern Asia cluster, and the fifth in the Anglo Culture cluster.

Analyses

Factor analysis was used to check the measures for unidimensionality and the measures were tested for internal consistency using reliability analysis. The hypotheses were tested using analysis of variance (ANOVA) and t-tests to compare means. Due to space limitations, only interpretations of the results will be presented here.

RESULTS AND DISCUSSION

In the first hypothesis we expected differences between Kuwaiti and non-Kuwaiti expectations of service encounter quality. Kuwaiti customers were more similar in their expectations of SQ to Lebanese customers and North American/European customer than to other Arab customers, although this may be more a result of the small sample sizes of customers from Lebanon and

North America/Europe than any real similarities. Customers from India/Sri Lanka/Bangladesh had higher expectations than Kuwaiti customers for Tangibility, Reliability, and Assurance, but no differences in Responsiveness or Empathy. These results might be explained in part by Donthu and Yoo (1998), who found that higher power distance customers had lower SQ expectations (Kuwait) and that high uncertainty avoidance customers had higher SQ expectations (India/Sri Lanka/Bangladesh). This hypothesis is not supported.

The second hypothesis anticipated that Kuwaiti customers would perceive retail service quality as lower than other nationalities. Kuwaitis did have lower service quality perceptions than non-Kuwaitis, suggesting that exposure to high service retailers through travels abroad may make Kuwaiti customers less appreciative of the retail service they receive at home. The implication for global retail marketers is that globalization may raise the level of service quality required to satisfy customers. The second hypothesis is supported.

In the third hypothesis, we predicted differences in service quality expectations between customers and employees because retail sales people and clerks mostly tend to be from much less affluent countries than Kuwait. There were no significant differences between employees in three of the five SERVQUAL dimensions, but there were in the Assurances and Empathy dimensions, with employee means greater than customer means. The results only partially support the third hypothesis. The study was unable to detect if differences in Assurance and Empathy might be due to a difference in national culture, training, or some other explanation.

Hypothesis 4 suggests differences between high and low fatalism individuals and their expectations and perceptions of service quality. The first part of Hypothesis 4 suggests that individuals with high levels of fatalism will have lower expectations of service quality. Customers with high levels of fatalism had lower SQ expectations and lower SQ perceptions than those with lower fatalism levels, supporting H4. Since these results were consistent across the national cultures tested (although not significant in all cases), fatalism may be a relatively simple way to determine SQ expectations in a given culture. Obviously, more research, including refinement of the fatalism scale and testing across a variety of cultures, is needed, but retail managers might be able to use such a simplified measure to provide appropriate service to new foreign retail markets.

Finally, we did find a gender influence. The fifth hypothesis predicted there would be differences between the genders in their expectations and perceptions of service quality. The first part expected males to have higher expectations of service quality than females. Males did expect higher levels of service quality, supporting H 5a. We explain this difference by suggesting females interpreted the scales differently from males, but another explanation is that females actually did receive poorer service than males. This would fit with what we think we know about the separation of genders in the Gulf Region and how females are treated, at least in public.

Hypothesis 5 b. anticipated that females would have higher perceptions of service quality than would males, but contrary to our predictions, females actually had lower perceptions of service quality than did males. Thus, Hypothesis 5 b. is not supported. Perhaps there is a gender bias in

the interpretation of the scales, such that females rate both expectations and perceptions lower than do males. Further research should clarify this difference.

Implications for Entrepreneurs

As retailing increasingly becomes more global, it is important to consider the needs and expectations of customers and employees of differing cultures. This study is an early attempt at learning more about the service quality expectations of customers and employees in the Gulf Region and about the various national cultures they represent. It suggests opportunities for entrepreneurial retailers willing to learn about the various cultures represented in the Gulf Region and to provide for their needs and expectations.

The cultures of the Gulf Region are unique in many aspects, but there is a general tendency toward fatalism. This is manifest in many ways, but particularly in one expression, “insha’ Allah,” roughly translated as “Allah (God) willing,” but may also be used to suggest, “if the boss wills it” (Rice, 1999). Insha’ Allah is used to explain many uncertainties in life and sometimes to delay or reposition responsibility and decision-making. We thought fatalism would relate to expectations of the quality of service encounters and the results supported this prediction. As the Gulf Region becomes more diverse with peoples from many different backgrounds working in the area, however, this fatalistic attitude may become less prevalent. Also, as more Gulf Region citizens travel outside this area of the world, other, less fatalistic attitudes may become more pronounced, especially regarding the quality of service encounters.

Entrepreneurial retailers may be able to develop strategies to improve the quality of service encounters before their competitors enter the market. Large global retailers may be at a disadvantage in assuming that what works in other and regions and areas of the world will work in the Gulf Region and be uniformly applied. Certainly there are specific service strategies that may be universal, such as “service with a smile” or quick service, but Gulf Region customers are distinctive in many aspects of their consumer behavior and will undoubtedly require some unique service solutions. This presents opportunities for retailers willing to be flexible and meet the needs of various cultures. Entrepreneurial retailers may have a competitive advantage over larger, established, global retailers.

Globalization has been a great leveler in many ways, but retail services may require a judicious use of standardized practices. Our study suggests that there are significant differences between national cultures in their expectations and perceptions of service quality. National culture goes a long way to explaining these differences, but is not a complete explanation. We also found considerable differences within national cultures in both service quality expectations and perceptions. Retail service managers can utilize this information to better understand and serve their customers.

[References on Request]