

# Understanding customer-perceived quality in informal stores

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## **Abstract:**

### *Purpose*

Although customer-perceived quality (CPQ) has been studied for years, very little is known about the implications of CPQ to informal retail stores particularly in collectivist and high uncertainty avoidance societies like Nigeria. More specifically, this study aims to investigate the indirect implications of CPQ to post-purchase behaviour primarily word-of-mouth (WoM) communication which is even more critical for customer acquisition in the research context. By so doing, it develops a contextualised model in which the emerging concept of commercial friendship (CF) is incorporated to mediate the relationship between CPQ and WoM communication.

### *Design/methodology/approach*

Using a survey-based design, data were gathered from 372 informal merchants' customers. Structural equation modelling technique primarily PLS-SEM (partial least squares structural equation modelling) was used in analysing the data.

### *Findings*

The data confirm that the multifaceted CPQ construct has an important implication for WoM through the mediation of CF. Supplementary analysis reveals that CF fully mediates one of the sub-components of CPQ, namely, personal interaction in relationship to WoM in addition to acting as a partial mediator between store policy, physical aspect and reliability and WoM.

### *Originality/value*

The value of this study is that it draws attention to the special role that CF plays in the investigation of the relationship between CPQ and WoM communication in the research context. Additionally, it is a step towards extending and contextualising research about service quality perceptions and its outcomes in non-traditional Western contexts.

## **Keywords:**

Nigeria, Collectivism, Uncertainty avoidance, Commercial friendship, Customer-perceived quality,

## Introduction

In Africa, as in many other underdeveloped settings, a great number of customers buy from informal retailers. The managerial press reports that in Sub-Saharan Africa (SSA), over 90 per cent of economic transactions in the retail sector are conducted through informal channels such as open-air markets and kiosks; moreover, this trend will persist for the foreseeable future (PwC, 2016). Put differently, retailing business is still dominated by the informal sector in almost all the countries in Africa including Nigeria.

Because of the choice that is available to African consumers today, including the gradual rise in online shopping there, as well as the slowly but steady rise in disposable income (Deloitte and Touche, 2012; Kingombo, 2014; McKinsey Global Institute, 2010); many African consumers who buy from informal merchants are increasingly concerned about the quality of service they get from this set of merchants. Moreover, the emergence of big retail vendors such as Shoprite poses a big threat to the economic livelihoods of informal merchants (du Plooy *et al.*, 2012) since the former often compete on the triad of geographic spread, strong brand presence and quality service delivery (das Nair, 2017). Therefore, this context is attractive for developing additional insights on customer-perceived quality (CPQ) and its important implications for informal merchants. Additionally, the embeddedness of the context in collectivist and high uncertainty avoidance societies like Nigeria makes the context even more profound for this kind of study. Finally, understanding that owner-managers of informal retail stores in developing Africa lack fundamental understanding of CPQ and its implications is essential to understanding why the current analysis is both timely and commendable.

The literature on service quality is well developed and suggests that customers prefer stores with superior service quality (Dabholkar *et al.*, 1996; du Plooy *et al.*, 2012; Vázquez *et al.*, 2001) and therefore our study builds off on the retail service quality (RSQ) model espoused by Dabholkar and colleagues. This model, although extensively examined in the organised retail context particularly supermarkets (Das *et al.*, 2010; Martinelli and Balboni, 2012; Diallo and Seck, 2018; Vázquez *et al.*, 2001), has been rarely extended to the context of informal retail stores despite the wisdom in widening its examination and therefore application. Besides, academic research that investigates the phenomenon of service quality perceptions primarily the implications of CPQ in retail stores including the context of informal stores in SSA and elsewhere on the continent is still scant to date (Boshoff and Terblanche, 1997; du Plooy *et al.*, 2012). For instance, du Plooy *et al.*'s study, despite being characterised by significant limitations including the use of SERVQUAL model (for criticism of this model in retail setting cf. Dabholkar *et al.*, 1996; Vázquez *et al.*, 2001), makes a useful suggestion concerning the link between CPQ and positive word-of-mouth (WoM) communication in the informal stores setting. Therefore, establishing this link is critical to the economic well-being of informal merchants.

Because these merchants are constrained by financial resources and hence have little to no money set aside for running even basic marketing campaigns such as the printing of leaflets and flyers, these merchants often rely on their

customers for the spread of WoM communication, especially concerning new customers acquisition. Studies have also shown that WoM communication is generally more effective in SSA markets (Hattingh *et al.*,2012) and particularly in the informal retail context (Brown and Rammidi, 2014; Perks, 2010). While CPQ and WoM communication have been described thus far to be important for informal merchants, it is unclear how these two important phenomena are related in this context. Put differently, the relationship between CPQ and WoM may in fact be related to a third variable. Implying the importance to widen the scope of the relationship by considering key factors that could shed more light about the relationship, especially within the research context. One of these is argued to be commercial friendship (CF) which is defined as “regular and ongoing interactions over time and entailing some form of mutual dependence [between the service provider and client]” (Price and Arnould, 1999, p. 51; square brackets mine). In collectivist China, for example, research suggests that the formation of CF may be a function of CPQ (Han *et al.*,2008). In addition to this, some evidence that emerged from qualitative research on street vendors in Botswana implies that service culture is important for developing strong CF with customers, further suggesting that it can lead to the spread of WoM communication (Brown and Rammidi, 2014).

Accordingly, this article seeks to gain a better understanding of the relationship between CPQ and WoM communication by introducing the concept of CF as an important intermediary factor in the research context. Moreover, despite the extensive findings concerning the implications of CPQ on WoM communication (Das *et al.*,2010; Nadiri and Tumer, 2009), academic investigation of this issue is nowhere near fully understood partly because of the mixed evidence concerning the statistical links between CPQ and WoM communication (cf. Bloemer *et al.*,1999; Harrison-Walker, 2001). Besides it has been noted that the relationship between CPQ and WoM goes beyond a direct correlation (Chaniotakis and Lymperopoulos, 2009). All this has led this work to consider CF as one key factor among others that could lead to a better explanation of the relationship between CPQ and WoM communication. Until now, no previous research has highlighted this mediating link and therefore a key empirical motivation for the investigation. At the same time, what is particularly useful to understand is that in societies characterised by uncertainty avoidance, reasonableness of the service, particularly in terms of CPQ, could assist in building a harmonious business-client relationship. This paper also holds the view that in a society such as Nigeria in which the collectivist spirit of togetherness and high-level of social interaction is the norm, a higher level of CPQ may be an important explainer of CF. This in turn may lead to the spread of WoM communication. In sum, it is contended that in places such as Nigeria and indeed the context of informal retail stores CF will play a special role by mediating the link between CPQ and WoM.

A key contribution of the article is that it integrates the RSQ model with the research streams of WoM communication and CF and extends it to a less-known context in the service marketing literature i.e. the informal retail stores context. More specifically, this article develops a contextual model concerning the relationship between CPQ and the spread of WoM communication by proposing that in the informal retail context and in societies characterised by collectivism in addition to high uncertainty avoidance CF is likely an important mediator. The

research findings provide validation for the model. On top of this, evidence base of the study updates our understanding of the relationship between CPQ and WoM communication beyond a simple narrative of direct correlation. Besides, extending the RSQ model alone to the informal retail context is itself an important addition in service quality research stream, as it has been rarely done in extant research. Overall, the value to practice is that the research evidence could help informal merchants to organically grow their businesses even with very little financial resources at their disposal. In particular, it offers this set of merchants' guidance on how CPQ potentially influences critical outcomes like positive WoM communication through CF.

## **Theoretical background and hypothesis development**

### ***The collectivism-uncertainty avoidance cultural values and service encounters***

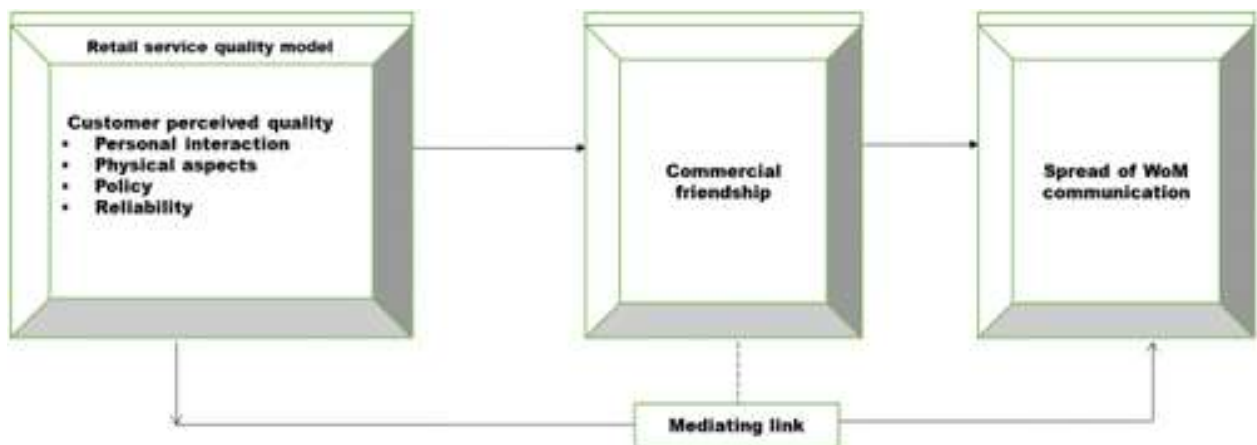
In attempt to provide a cultural context for this study, the study draws upon Hofstede's (1980) seminal work on cultural values. This article considers the cultural notions of collectivism and uncertainty avoidance as the two most appropriate notions in the explanation of service encounters in the research setting. It has been noted by scholars, notably Ozdemir and Hewett (2010), that the desire for social interaction and risk reduction persistently manifests in service encounters and that include perceptions on service quality. Hence, a reason why the cultural values of collectivism and uncertainty avoidance are a useful backdrop for contextualising the understanding of service encounters in societies where high-levels of social interactions and uncertainty avoidance are the norms like SSA (Darley *et al.*, 2013; Hofstede, 1980, 2011). Collectivism has been defined as the "degree to which people in a society are integrated into groups" (Hofstede, 2011, p. 11), implying that in collectivist societies emphasis is placed on the maintenance of harmony, relationship building, and the "We"-conscious (Hofstede, 2011). Uncertainty avoidance in turn "deals with a society's tolerance for ambiguity [and it] indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations" (Hofstede, 2011, p. 10.). In high uncertainty avoidance societies, the focus is generally on clarity and familiarisation (Hofstede, 1980, 2011).

Perhaps most noteworthy, an early study on the role of culture in service quality perceptions and satisfaction indicates that in societies characterised by collectivism and uncertainty avoidance, people are more concerned about the virtues of reasonableness, group harmony and personal sacrifice (Laroche *et al.*, 2004). Therefore, it is important to bring in the core research issues this article focuses on – CPQ, CF and WoM communication – by anchoring it in the three virtues that seem more profound in settings like this (Laroche *et al.*, 2004; also see Hofstede, 2011). In so doing, this study assists in the development of a contextualised understanding of the research issues which could also open new opportunity for theorising about service encounters in emerging markets context. We will now begin by looking at the virtue of reasonableness and its implications in service encounters. This article argues that this virtue is the most important consideration in service encounters, particularly given when money is involved as well as customers concern about service quality of the informal retail store. The expectation therefore is that reasonableness of service offerings could

provide a clue to understanding the role of CPQ and its behavioural consequences in the research setting.

Building on the preceding lines, it is argued that group harmony could be fostered in the form of CF between the customer and the merchant not only because they are part of same community but also because of the reasonableness of services offered to the consumer. In other words, customers' decisions concerning the building of CF with the merchant may be activated by offering them a higher level of service quality. A similar conclusion is drawn from a study on service culture among street vendors in Botswana (Brown and Rammidi, 2014).

Finally, this study is predicated on the assumption that group harmony is analogous to CF in service encounters; implying that the informal merchant customer who has built a good relationship with the merchant may be willing to make personal sacrifice particularly involving the spread of WoM communication. Because group members often stick together and advance one another interests (Hofstede, 2011), implying that customers who have over time developed CF with the merchant will be motivated to assist by going the extra mile to spread positive communication about the merchant's stores. Moreover, it is known that consumers in collectivist and uncertainty-avoidance societies prefer to engage in positive WoM communication than bad-mouthing merchants (Liu *et al.*, 2001). All this has led to the development of a contextualised model which could assist in the explanation of mediating effect of CF on CPQ-WoM communication relationship (Figure 1).



**Figure 1** The conceptual model

### ***Sub-Saharan Africa's informal retail context***

In SSA, most consumers shop at informal retail stores despite the growing modernisation of retailing that includes the expansion of shopping malls in major African cities such as Lagos (Deloitte and Touche, 2015; PwC, 2016). In Nigeria, for instance, the contribution of retail sales to GDP is estimated to be about 23.6 per cent (Deloitte and Touche, 2015), but about 98 per cent of the retail transactions in Nigeria, just like elsewhere on the continent, go through informal retail channels such as kiosks and table-tops (PwC, 2016). A noteworthy feature of this set of stores, is that merchants consistently customise product offerings which makes them attractive to shoppers (du Plooy *et al.*, 2012), ranging from budget-conscious to value-conscious consumers.

Of course, many reasons exist why consumers in this part of the world continue to shop at the stores. In an early analysis among South Africa's consumers when asked about 40 per cent of respondents stated that apart from the convenience informal shops offer, they also "offer friendly and good service" (Ligthelm, 2005, p. 210). In a similar vein, the research of du Plooy *et al.* (2012) indicates that consumers who buy from these shops are concerned about getting quality and reliable services from these retailers. Further research suggests that WoM communication facilitates greater awareness of the stores and that informal merchants actively capitalise on this for their marketing communications (Perks, 2010). The importance of WoM communication, particularly in a context in which uncertainty avoidance and collectivistic tendencies including high level of social interaction are comparably high (Darley *et al.*, 2013; Hofstede, 2011), makes it even more interesting to understand the significant correlates of this phenomenon within the context. Estimates show that about 50 per cent of SSA consumers base their purchase decisions on WoM communication, particularly referrals from family members and peers (Hattingh *et al.*, 2012).

Another reason why consumers in SSA continue to shop in informal retail stores may be connected to the quality of time invested in engaging with customers at service encounters (Brown and Rammidi, 2014) and this goes beyond the formality of the business. Qualitative insights apparently suggest that building a meaningful and strong vendor-customer relationship may be dependent on vendor's service quality offerings (Brown and Rammidi, 2014). Therefore, suggesting that how customers appraise service quality perceptions could prompt CF. Further, the study points towards the role that relationship management attributes (e.g. courteousness and individualised attention to customers) and store attributes (e.g. physical aspect) play in fostering CF and incentivizing the spread of WoM (Brown and Rammidi, 2014).

While all these few studies have shed some insights in this context, none of them offers any quantitative evidence concerning the relationship between CPQ and WoM communication *let alone* conceived the idea of CF as an important construct in the research setting. In conclusion, this pioneering study could have profound implications for informal retail merchants as well as international retailers who want to penetrate markets like SSA and indeed Nigeria.

### ***Customer-perceived quality***

Considering the rich and growing body of work that relies on the RSQ model in understanding the makeup of CPQ (Dabholkar *et al.*, 1996; Diallo and Seck, 2018; Nadiri and Tumer, 2009; Martinelli and Balboni, 2012), this study applies same model. In so doing, we are mainly extending this model to a new context in service quality research. According to the RSQ model, CPQ consists of distinct but related dimensions including reliability, personal interaction, policy and physical aspects of the store (Dabholkar *et al.*, 1996; Diallo and Seck, 2018; Martinelli and Balboni, 2012; Vázquez *et al.*, 2001).

On surveying existing publications that relied on the RSQ model to examine CPQ in retail stores, one finds only one credible study from Africa (Appendix 1). It focussed on hypermarket customers in South Africa (Boshoff and Terblanche, 1997). The study in Africa is not only outdated, more than two decades ago, but its primary concern then was to essentially replicate the model proposed

by Dabholkar *et al.*(1996). A review of pertinent studies that adopted RQS model as a base for measuring and understanding the research issue of CPQ has been summarised in Appendix 1; bearing to note that all the studies until now overlooked the research context and hence the issue is ill understood in SSA societies.

### ***Word-of-mouth communication***

In Africa, and as far as the informal retail context is concerned, the spread of WoM communication is critical to the long-term sustenance of merchants (du Plooy *et al.*,2012; Hattingh *et al.*,2012; Perks, 2010). WoM communication, also known as customers referrals, has been long-claimed as the most effective means of reaching targeted consumers (Brown and Reingen, 1987; Harrison-Walker, 2001; Keiningham *et al.*,2018; Wirtz and Chew, 2002). A reason why WoM communication is highly effective is that, often, it is based on recommendations from familiar persons. Because of this familiarity, customers are more driven to buy from the recommended retailer, particularly in SSA where in-group loyalty has been found to be strong (Hofstede, 1980, 2011; Darley *et al.*,2013). Further, it has been concluded that the effect of received WoM referrals is more pronounced in high-uncertainty avoidance societies (Schumann *et al.*,2010) such as Nigeria. Meanwhile, given that it is well acknowledged that managers are deeply interested in knowing what drives WoM (Keiningham *et al.*,2018), developing a better understanding of the issue will especially benefit owner-managers of informal retail stores who have long-lacked understanding of the drivers of WoM communication in the markets they currently serve.

Despite the cumulative evidence on the main drivers of WoM communication, existing studies that focus on the investigation of CPQ as a driver of WoM communication in retail stores make an implicit assumption concerning their relationship (Das *et al.*,2010; Nadiri and Tumer, 2009). The studies implied that higher levels of CPQ could suffice for the spread of WoM communication, nevertheless it has been argued that the relationship is not a straightforward matter (Chaniotakis and Lymperopoulos, 2009) and context matters also. Further, the implicit rationale that WoM communication directly responds to significant increase in CPQ could be completely misleading since it is possible a third variable and particularly CF mediates the relationship between the two phenomena. In addition, according to the conceptual model, the relationship between CPQ and WoM communication in the informal retail stores context is better analysed by the mediating role of CF.

### ***Commercial friendship***

CF, especially in the context being investigated, is predominantly conversation-based and thus a form of customer engagement in the relationship marketing trajectory. Customer engagement itself has been previously defined by van Doorn *et al.* (2010, p. 254) as “customers' behavioral manifestations towards the brand or firm, beyond purchase, resulting from motivational drivers.” Despite the subtle distinction between CF and customer engagement, it is important to note here that both concepts depending on context can be used interchangeably. Therefore, given the high prevalence of social connectedness in African societies and in Nigeria (Darley *et al.*,2013), this study feels CF conveys a much more

contextualised meaning of customer-business relationship in the informal retail segment than the much broader term customer engagement (for more details about this term cf. Jaakkola and Alexander, 2014; van Doorn *et al.*,2010; Vivek *et al.*,2012). Another construct that is closely related to CF is the classic construct of customer trust described as “when one party [i.e. the customer] has confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt, 1994, p. 23; square brackets mine). Indeed, the seminal study on CF found that CF is a significant correlate of customer trust (Price and Arnould, 1999). This finding makes sense because friendship in particular thrives on trust among others, implying that customer trust, especially in the informal retail store context, is an important consideration for building customer-business friendship, i.e. CF (Price and Arnould, 1999).

Besides, previous research on CF establishes that customers are likely to associate, among others, a sense of affection, intimacy, trust, social support, communal orientation, and reciprocity with this theme (Grayson, 2007; Price and Arnould, 1999). Empirically, the research of Han *et al.* (2008) illustrates that CPQ and CF are positively correlated, suggesting that CPQ is a significant contributor to the formation of CF. Additionally, early research argues that intention to recommend is a consequence of CF (Price and Arnould, 1999), which is also similar to the proposition by Vivek *et al.* (2012) that customer engagement is an antecedent factor to the spread of WoM. Moreover, a study on customers of fast food/hair salon concludes that CF plays a key role in customers decisions (Ahn *et al.*,2014). It has been also recently argued that in collectivist cultures such as SSA, small retailers are particularly considered by consumers because they believe they place more emphasis on personal contacts (Budhathoki *et al.*,2018), implying the significance of CF in the retail environment.

### ***The relationships between customer-perceived quality, commercial friendship and word-of-mouth communication***

CPQ and CF. Preceding literature suggests there is a positive relationship between CPQ and CF (Carrillat *et al.*,2009; Han *et al.*,2008). For example, a meta-analysis indicates that CPQ contributes to long-term firm-customer relationships (Carrillat *et al.*,2009). In addition to this, the study of Han *et al.*(2008) in China has established a positive association between CPQ and CF, albeit in a non-retail stores context. Theoretically, a study amongst street vendors on the continent is implying a higher level of CPQ is a prerequisite for CF (Brown and Rammidi, 2014).

The point is that if customers favourably appraise merchants’ service offerings, it not only reduces concerns about uncertainty in their decision-making but also increases their chance to become more familiar with merchants particularly in societies like Nigeria, as in other SSA countries, where social relatedness is comparably high. We therefore expect to see a significant link between CPQ and CF. The conclusion is that CPQ is a critical contributor to CF in the research context. Even though the immediate focus of this research is on testing the indirect influence of CPQ on WoM communication, nevertheless, our preliminary hypothesis (denoted as *HPA1*) is stated as follows:



## **Hypotheses**

### **HPA1.**

CPQ positively correlates with CF.

CF and WoM communication. The research of Brown and Rammidu (2014) seems to point towards the importance of CF in enabling the spread of WoM communication, indicating that merchants who invest time in building strong relationships with their customers that may also extend beyond the formality of business are likely to reap significant benefits. Some of the benefits, these authors imply, could come in the form of positive recommendations to potential targets by their existing customers (Price and Arnould, 1999). Building upon the work of Darley *et al.* (2013), who suggest that for businesses to succeed in SSA, they must first seek to develop social relatedness; it therefore means that the development of a strong CF is critical in this type of society. In short, given the central role that group harmony plays in engendering personal sacrifice in a society like SSA, it stands to reason therefore that CF, analogous to group harmony, is likely to provide a strong incentive for customers to canvass their relatives and a few others to buy from the merchant.

Additionally, a most recent study finds that guanxi including the attribute CF is significantly related to WoM intentions among Chinese bank customers (Lee *et al.*, 2018). In short, studies have consistently shown that the spread of favourable WoM communication benefits from the establishment of strong customer ties (Balaji *et al.*, 2016; Brown and Reingen, 1987; Wirtz and Chew, 2002). Although the research major focus is on testing the mediating role of CF in the relationship between CPQ and WoM communication, nevertheless we wish to state the following preliminary hypothesis (denoted as *HPA2*):

## **Hypotheses**

### **HPA2.**

CF positively correlates with the spread of positive WoM communication.

CPQ, CF and WoM communication. Previous research offers mixed evidence concerning the link between CPQ and WoM communication (Bloemer *et al.*, 1999; Harrison-Walker, 2001), prompting the need for research to clarify the link through the introduction of CF here as a mediating factor. Therefore, consistent with the contextualised model (Figure 1) and previous discussions, we seek to test the argument that a significant reason why the customer would go about canvassing for the informal merchant is that the customer has not only developed strong commercial ties with the merchant but believes also that the merchant offers quality service in every way (Price and Arnould, 1999). As such, the measure of CPQ forms the initial step and this in turn stimulates the building of strong CF (Han *et al.*, 2008) and subsequently results in the spread of WoM communication.

Put differently, as consumers spend their monies in the stores, it is natural for them to expect reasonable service encounters. A higher appraisal of this is, therefore, argued to play an important role in the quest to build and/or sustain a strong CF. This in turn necessitates the spread of WoM communication. Overall,

insights from extant research have led us to propose a chain effect from CPQ to CF to the spread of WoM communication (denoted as *HM*). Stated formally, it is predicted that:

### **Hypotheses**

*HM.*

The relationship between CPQ and spread of positive WoM communication is positively mediated by CF.

### **Methodology**

This study uses partial least squares structural equation modelling (PLS-SEM) as its analytical toolbox. PLS-SEM, just like its counterpart covariance-based SEM (CB-SEM), has emerged as an important tool for testing complex relationships like mediation (Hair *et al.*, 2017). At the same time, the operationalisation of CPQ as a higher-order makes PLS-SEM a valuable tool to use in this work particularly because it is easier to use when modelling formative measurement models in addition unlike CB-SEM it rarely suffers from model identification issues (Hair *et al.*, 2017). Moreover since the key focus of this paper is on explaining the importance of CPQ to the building of CF and WoM, the use of PLS-SEM is deemed justifiable by seasoned scholars among whom Hair *et al.* (2017).

#### **Measurement and common method bias**

Existing scales drawn from prior marketing studies were utilised in this analysis. Measurement items were anchored on a five- or six-point scale. A summary of the measurement items in addition to their sources has been made available in Appendix 2.

It is important to note that the analysis does not suffer in any significant ways from issues involving common method bias in part because different anchors were used in gauging responses to the studied constructs. Moreover, the cover page explains to respondents that there were neither wrong nor right answers to the questions asked in addition to assuring them of their anonymity (Podsakoff *et al.*, 2003). Concerning statistical remedy, results from the correlation matrix indicated no correlation coefficients exceeded 0.3 (Chuah *et al.*, 2017, for a similar approach), further suggesting negligible evidence of common method bias. The conclusion is that the effect of common method bias is inconsequential in this study and hence there is no need for performing additional statistical tests for common method bias detection (Babin *et al.*, 2016).

#### **Sample**

A field survey was conducted among informal retail merchants' customers across three states in Nigeria, namely Lagos, Ogun and Ondo states. A self-report questionnaire was targeted at customers immediately after making purchases at the shops, using research assistants. Between August and October 2017, 400 questionnaires were received, after removing invalid responses 372 questionnaires were then used in the final analysis. In few instances where we had missing responses/values, it was treated using random imputation.

Finally, a breakdown of the sample size indicates that more than half (53 per cent) of the respondents were female consumers, while nearly two-thirds (61 per cent) were married. Respondents' age on average was 36 years, while the reported average household size was six. When asked, most customers stated they shop twice or more weekly in these stores.

### ***Exploratory factor analysis***

Consistent with prior research (Nadiri and Tumer, 2009), the evaluative measure of CPQ was subjected to principal component analysis using varimax rotation technique. The results showed that the indicators loaded significantly on their reflective latent factors, which confirms the applicability of this measure in the research setting (Table I).

**Table I** Exploratory factor analysis results for the underlying measures of CPQ

<b>Items</b>	<b>Policy</b>	<b>Physical aspect</b>	<b>Personal interaction</b>	<b>Reliability</b>
<b>Pol1</b>	0.694			0.404
<b>Pol2</b>	0.747	0.212		0.237
<b>Pol3</b>	0.734		0.145	0.101
<b>Pol4</b>	0.823		0.201	
<b>Pol5</b>	0.719	0.132	0.259	
<b>PAspect1</b>	0.131	0.895		
<b>PAspect2</b>	0.112	0.906		
<b>PAspect3</b>	0.139	0.909		0.145
<b>PAspect4</b>		0.725		0.317
<b>PInter1</b>	0.280		0.790	
<b>PInter2</b>	0.165		0.873	
<b>PInter3</b>			0.901	
<b>PInter4</b>			0.867	0.105
<b>Reliab1</b>	0.404	0.153		0.661
<b>Reliab2</b>	0.115	0.120		0.823
<b>Reliab3</b>		0.105	0.107	0.733
<b>Reliab4</b>	0.234	0.125	0.102	0.793
<b>Eigenvalue</b>	5.241	3.046	2.112	1.657
<b>Variance (%)</b>	30.831	17.919	12.423	9.744
<b>Cumulative (%)</b>	30.831	48.750	61.173	70.918
<b>Cronbach's alpha(<math>\alpha</math>)</b>	0.844	0.905	0.894	0.776

Notes: Cross-loadings were all insignificant with the highest being 0.40 (Table I); the analysis was performed using IBM SPSS software (v.24)

### ***Psychometric analysis: reliability and validity***

The software ADANCO 2.0 (Henseler and Dijkstra, 2015) was used to evaluate the psychometric properties of the constructs and their underlying items. Using the Jöreskog's rho ( $\rho_c$ ), composite reliability, on average, was 0.8. In addition, the indicator loadings for the constructs loaded in their respective constructs and were high and significant. Average variance extracted (AVEs) for all the reflective constructs were greater than the recommended value of 0.5 (Hair *et al.*, 2017). Moreover, we tested for discriminant validity using the criterion proposed in an

early study (Fornell and Larcker, 1981) in addition a visual inspection of the cross-loadings was undertaken by the researcher (Hair *et al.*,2017).

To further test for evidence of discriminant validity, this study uses the heterotrait–monotrait ratio of correlations – HTMT – technique (Henseler *et al.*,2015). Finally, the results of the tests are summarised in Table II (indicating construct reliability/convergent validity), and Tables III and IV reflect evidence of discriminant validity.

**Table II** Assessment of the reflective model – first-order constructs

<b>Constructs/Items</b>	<b>CR (<math>\rho_A</math>)</b>	<b>AVE</b>	<b>Loadings [<i>t</i>-values]</b>
<b>Policy (mean = 4.572; SD = 0.730)</b>	0.845	0.616	
<b>Pol1</b>			0.775 [19.650]
<b>Pol2</b>			0.813 [33.522]
<b>Pol3</b>			0.757 [16.838]
<b>Pol4</b>			0.812 [26.304]
<b>Pol5</b>			0.765 [23.304]
<b>Personal interaction (mean = 3.737; SD = 0.605)</b>	0.897	0.759	
<b>PInter1</b>			0.850 [21.966]
<b>PInter2</b>			0.902 [19.561]
<b>PInter3</b>			0.889 [14.979]
<b>PInter4</b>			0.842 [15.945]
<b>Reliability (mean = 3.949; SD =0.538)</b>	0.789	0.600	
<b>Reliab1</b>			0.720 [8.362]
<b>Reliab2</b>			0.790 [10.067]
<b>Reliab3</b>			0.724 [9.909]
<b>Reliab4</b>			0.857 [21.450]
<b>Physical aspect (mean = 4.017; SD = 0.512)</b>	0.906	0.779	
<b>PAspect1</b>			0.886 [18.302]
<b>PAspect2</b>			0.904 [20.964]
<b>PAspect3</b>			0.927 [24.503]
<b>PAspect4</b>			0.810 [18.272]
<b>Commercial friendship (mean = 4.141; SD = 0.932)</b>	0.936	0.832	
<b>CF1</b>			0.904 [61.298]
<b>CF2</b>			0.892 [44.696]
<b>CF3</b>			0.930 [80.212]
<b>CF4</b>			0.917 [73.160]
<b>CF5</b>			0.919 [58.086]
<b>WoM (mean = 4.640; SD = 0.862)</b>	0.905	0.749	
<b>WoM1</b>			0.951 [35.586]
<b>WoM2</b>			0.843 [25.206]
<b>WoM3</b>			0.796 [18.231]

Notes: Generated *t*-statistics are based on 5,000 bootstrap samples; SD is standard deviation; CR is composite reliability and AVE is average variance extracted

**Table III** Evidence of discriminant validity using Fornell–Larcker’s approach

Construct	Policy	Interaction	Reliability	Physical aspect	Commercial friendship	WoM
<b>Policy</b>	<i>0.616</i>					
<b>Interaction</b>	0.080	<i>0.759</i>				
<b>Reliability</b>	0.223	0.031	<i>0.600</i>			
<b>Physical aspect</b>	0.101	0.008	0.140	<i>0.779</i>		
<b>Commercial friendship</b>	0.143	0.233	0.074	0.056	<i>0.832</i>	
<b>WoM</b>	0.291	0.033	0.133	0.083	0.237	<i>0.749</i>

Notes: Squared correlations (off-diagonal elements); AVE in the diagonal (in italic font)

**Table IV** Evidence of discriminant validity using HTMT inference approach

Constructs	1	2	3	4	5	6
<b>1. Policy</b>						
<b>2. Personal interaction</b>	0.424					
<b>3. Reliability</b>	0.676	0.327				
<b>4. Physical aspect</b>	0.458	0.200	0.554			
<b>5. Commercial friendship</b>	0.508	0.600	0.416	0.345		
<b>6. WoM</b>	0.654	0.300	0.519	0.394	0.577	

Note: HTMT inference criterion <1.00 based on 5,000 bootstrap subsamples

## Results

### **Assessment of the higher-order customer-perceived quality measure**

Consistent with previous research (Becker *et al.*, 2012), an assessment of the CPQ measure was done by searching for evidence of multicollinearity, the significance of the weights, i.e. the underlying dimensions, and lastly the nomological net (this check will come immediately after this section). As summarised in Table V, there is no evidence of multicollinearity. Additionally, the indicator weights are significant and positive too. Therefore, the result obtained from the operationalisation of CPQ as a higher-order formative construct suggests we can move ahead to the hypothesis testing.

**Table V** Assessment of the CPQ measure

Construct			
Higher-order construct	Indicators	Indicator weights [t-values]	Variance inflation factor (VIF)
<b>CPQ</b>	Policy	0.478[13.627]	1.378
	Personal interaction	0.314 [8.956]	1.089
	Reliability	0.342 [11.372]	1.355
	Physical aspect	0.297 [9.664]	1.197

Note: t-values based on 5000 bootstrap subsamples

### Hypothesis testing

To begin with, evidence indicates that the CPQ measure (underpinned by store policy, reliability, interaction, and physical aspect) positively relates to CF ( $\beta = 0.51$ ;  $p < 0.001$ ), after controlling for gender. This result confirms our first preliminary *HPA1*. Additionally, controlling for gender, the data suggests that CF positively relates to WoM communication ( $\beta = 0.27$ ;  $p < 0.001$ ) and therefore supports *HPA2*. Having established initial support for the direct relationship between CPQ and CF as well as CF and WoM communication (Table VI), our analysis is able to move ahead by testing our focal *HM*.

**Table VI** Summarised results of direct effect – preliminary testing

Preliminary Predictor hypothesis variable	Response variable	Estimate ( $\beta$ ) [ <i>t</i> -value]	Percentile 95 [bootstrap] confidence intervals		
			Lower	Upper	
<i>HPA1</i>	CPQ	CF	0.510[10.917]	0.423	0.605
<i>HPA2</i>	CF	WoM	0.272[4.996]	0.156	0.367
	Control factor				
	Gender	CF	0.026[0.566]	-0.067	0.110
	Gender	WoM	0.010[0.833]	-0.076	0.098

Notes: WoM communication ( $R^2 = 0.370$ ); commercial friendship ( $R^2 = 0.259$ )

In this study, we predicted that CF will positively mediate the link between CPQ and WoM communication. The results of the indirect effect testing using bootstrapping approach offer significant support that CF partially mediates the link between CPQ and WoM communication.

Following the logic in Zhao *et al.* (2010), it is established that CF serves as a complementary partial mediator in the link between CPQ and WoM communication. In summary, the research conceptual model has been validated. The result of the focal hypothesis is summarised in Table VII. It is important to emphasise here that the control variable gender had no significant correlation with both CF and WoM communication.

**Table VII** Summarised results of mediating effect testing

Hypothesis Relations	Total effect	Direct effect	Indirect effect [LCI; UCI]	VAF (%)	Mediation type
<i>HM</i> CPQ→CF→WoM	0.562***	0.423***	0.139[0.077;0.203]	24.7	Partial (complementary) mediation

Notes: \*\*\* $p < 0.001$ , (two-sided  $p$ -value); [LCI; UCI] indicates lower (LCI) and upper confidence interval (UCI). VAF = variance accounted for. Gender was controlled for in testing for the mediating effect

### Supplementary analysis

In addition to the above, it was necessary to observe the relative contributions of the sub-components of CPQ to WoM communication through the mediation of

CF. As a consequence, a supplementary analysis was performed using the 'Process' macro in SPSS and specifically Model 4 (for some readings about this statistical toolbox see Hayes, 2013). The results of this analysis are tabulated in Table VIII. In summary, the results of the analysis are generally consistent with the notion that CPQ in addition to its sub-components contributes indirectly to the positive spread of WoM communication via CF in the informal stores context. Yet, we note that the relationship between personal interaction and WoM is fully mediated by CF, whereas the relationships between the other sub-components primarily store policy, reliability, and physical aspect, and WoM are partially mediated by CF.

**Table VIII** Results of indirect effect based on disaggregated measure of CPQ

Relations	Direct effect (c')	Point estimate (a x b)	SE	LCI - UCI	Mediation inference
<b>Policy → CF → WoM</b>	[0.347;0.579] <sup>Sig.</sup>	0.135	0.031	[0.081;0.202]	Yes and partial
<b>Personal interaction → CF → WoM</b>	[-0.242;0.059] <sup>Ns.</sup>	0.337	0.055	[0.2347;0.453]	Yes and full
<b>Reliability → CF → WoM</b>	[0.266;0.566] <sup>Sig.</sup>	0.161	0.041	[0.089;0.248]	Yes and partial
<b>Physical aspect → CF → WoM</b>	[0.150;0.432] <sup>Sig.</sup>	0.168	0.046	[0.085;0.266]	Yes and partial

Notes: Number of bootstrap samples for percentile bootstrap confidence intervals is 5000. Gender was treated as a covariate. Superscript Ns indicates non-statistical significance whereas superscript Sig. indicates statistical significance at *t*-values  $\geq 1.96$ . SE indicates (bootstrap) standard error. Finally, values in [LCI; UCI] indicate lower (LCI) and upper confidence interval (UCI)

## General discussion and implications of the study

A major significance of this study is that it updates our understanding of the important notion of CPQ in the retail context. Unlike previous studies that have been overwhelmingly focussed on modern format retail stores, this study extends the notion of CPQ and the RSQ model underpinning it to the context of informal retail stores in SSA. This paper has therefore highlighted the importance of the RSQ model in analysing the multidimensional nature of CPQ in informal retail stores. In doing so, this paper offers empirical support to prior studies which describe the utility in measuring the multifaceted CPQ construct in retail stores environment using the parsimonious RSQ model (Martinelli and Balboni, 2012; Vázquez *et al.*, 2001). As a result, the study has a clear implication, not only for our theoretical understanding of CPQ but also for informal merchants who are concerned about finding more practical ways of succeeding despite having very limited budget.

Next and most importantly, this analysis has shown that in societies, such as Nigeria, characterised by collectivism and uncertainty avoidance CPQ indirectly contributes to WoM communication by fostering CF. As far as the researcher is aware, no other research has established this important link. The result reinforces the view that for service providers, including informal retailers, to

actively engage in marketing communications it is important for them to understand the significance of CPQ (Chaniotakis and Lymperopoulos, 2009; Das *et al.*,2010; Harrison-Walker, 2001) and the need also to develop more affectionate and social interactions with their customers (Brown and Rammidi, 2014; Grayson, 2007; Price and Arnould, 1999; Wirtz and Chew, 2002). Overall, this paper has added to the cumulative body of evidence on CPQ and WoM communication by challenging the common assumption of a direct relationship between the phenomena.

Related to the preceding discussion, the study has shown that offering reasonable quality service offerings can help build and maintain CF. The implication therefore is that a favourable perception of service quality offerings of merchants is an enabler in the formation of CF particularly in places like SSA where the virtue of group harmony is more pronounced (Darley *et al.*,2013; Hofstede, 2011). Practically speaking, because of the strong inclination for the maintenance of group harmony as well as reciprocal relationships in SSA societies, there is a significant likelihood that consumers who have strong commercial ties with retailers are likely to advance their interest by choosing to serve as their unpaid marketing mouthpiece.

This study, meanwhile, supports the view expressed in an earlier study concerning the positive association between CPQ and CF (Han *et al.*,2008). Further, this study provides empirical support for the implicit assumption about the role of CF in the context of street vendors in Botswana (Brown and Rammidi, 2014). In fact, beginning from the late 90s, scholars have debated on the benefits of CF to service providers and retailers alike (Ahn *et al.*,2014; Grayson, 2007; Price and Arnould, 1999). This study has moved forward this important debate by revealing that CPQ is an antecedent factor and WoM communication is a consequence of CF. Theoretically, this evidence contributes to the enlightenment of CF. Managerially, it provides a useful lens for retailers to deepen their relationships with their customers. It is also important to note that the results of the additional analysis particularly the finding that CF fully mediates the effect of personal interaction on WoM communication offer guidance on how these micro-retailers can continue to give personalised attention to their customers in the hopes of building strong bonding and by extension new customer acquisition and retention via WoM.

As a cautionary note, despite the significance of CF in the informal retail context particularly in terms of the relationship between CPQ and WoM communication, if not skilfully managed, it could have adverse implication for the informal merchant (for the possible dark side of CF, see Grayson, 2007). Anecdotal findings that come mainly from the researcher's experience and immersion in this context provide partial glimpse into the dark side of CF. This paper highlights this dark side with the following illustration. There are customers who because of strong commercial ties with the merchant capitalise on this to collect items on credit without necessarily redeeming their pledges or when they do it takes effort on the part of the retailer to recover their debts. This could limit the capacity of the retailer to expand its range of product offerings. Scholars may use this anecdote as a basis for future exploration.



Finally, the research evidence could hold useful lessons for service providers in societies that share similar cultural values to SSA societies, including countries like Bangladesh and Pakistan that all seem to score high on the cultural values of collectivism and uncertainty avoidance. More specifically, for a services provider in these markets to benefit from customers referrals, the provider would need to focus on improving its service offerings to customers by consistently paying attention to the previously stated four underlying dimensions of CPQ. Added to this, is the need for the provider to develop CF with their customers by seeking to befriend them not only during service encounters but also beyond business formality, albeit this must be done in a measured manner.

### **Study limitations and concluding thoughts**

While this study has sought to unpack the understanding of the relationship between CPQ, CF and WoM communication, the research findings, however, need to be cautiously interpreted. One limitation of this study is that it was undertaken in one African country, meaning that the research evidence may be geographically limited and hence requires to be extended to other countries (on the continent). This is important if we are to develop a better understanding of the research issue we have explored in this context. Another limitation of this study is in the fact that the relationships tested here draw from a survey collected at a point in time; this makes it hard to infer causal relationships. To offset this limitation, future study may need to use, for example, longitudinal data.

Next, beyond the investigation of the mediating role of CF in CPQ-WoM communication relationship, future research should explore in-depth the implication of CF to the profitability of informal retailers. It has been implied here that if not properly managed, it could play a less satisfactory role in the research context. Insights gained from the research will enrich scholarly understanding of the consequences of CF beyond WoM communication. To expand research also on CF, there is a clear requirement for more research on its antecedent factors. This will enable scholars and managers/retailers to better understand the significant measures that can be taken to build and maintain CF. In addition to this, future research, particularly qualitative research, may want to explore how retail consumers make sense of CF in relationship to conceptually similar terms such as customer participation, customer engagement, and customer trust, especially given the lack of study that focuses on understanding how these constructs are interpreted by consumers in Nigeria, as in other collectivist and high uncertainty avoidance societies.

Finally, the conceptual model guiding this analysis requires some reinforcements because there may be other important factors such as sociodemographic attributes (e.g. ethnicity, religious identity, and purchase frequency) that could moderate the proposed relationships. The inclusion of this set of potential moderating factors into the model could provide rich insights into the research issue.

In conclusion, this study has developed a contextualised model in which CF has been incorporated as a mediator regarding the relationship between CPQ and WoM communication. Data gathered from customers of informal merchants provided support for the key assumption that WoM communication responds

indirectly to CPQ via the mediating process of CF. Given the pioneering effort of this work, it is therefore hoped that this work will be a base for additional debate in this area. Debate in this area is welcome, as this will improve our theoretical, as well as practical, understanding of the research issue raised here. Lessons learned from this pioneering work could apply to modern retail outlets in SSA and elsewhere.

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#### Further reading

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## Supplementary Tables

**Table AI** Pertinent studies that adopted RSQ model as a measure for evaluating CPQ

Author(s)	Summarised findings	Retail setting	Geographic setting
<b>Dabholkar et al.</b> (1996)	Authors propose overall service quality as a second-order factor consisting of five dimensions - physical aspects of the store, reliability, personal interaction, problem solving, and policy	Departmental stores	The US
<b>Boshoff and Terblanche</b> (1997)	Researchers essentially validated the seminal work on RSQ model by Dabholkar and colleagues and suggested it is a useful tool for appraising the complex character of CPQ	Hypermarkets	South Africa
<b>Mehta et al.</b> (2000)	Research findings showed that the model was more suitable to the supermarket context as opposed to the electronics context. By combining RSQ model with SERVPERF, a modified measure consisting of service personnel, physical aspects, merchandise, confidence, and parking was proposed by the researchers	Supermarkets and electronic goods retailers	Singapore
<b>Vázquez et al.</b> (2001)	Researchers came up with an abridged model comprising physical aspects of the store, reliability, personal interaction, and policy, which arguably speaks more to the current context	Supermarkets	Spain
<b>Siu and Cheung</b> (2001)	The researchers came up with a modified version of RSQ model where convenience emerges as an important dimension along with the previously stated five dimensions	Department stores	Hong Kong
<b>Kim and Jin</b> (2002)	Although there was a systematic difference in the interpretation of the dimensions across countries, the researchers concluded that physical aspects, reliability, and personal interaction are important dimensions for measuring CPQ	Discount stores	The US and South Korea
<b>Siu and Chow</b> (2004)	The authors concluded that the model consists of five dimensions, including trustworthiness but excluding problem solving	Supermarket	Hong Kong
Parikh (2006)	Although RSQ model was found to be reliable, the research proposes a modification of the model	Small grocery stores to hypermarkets	India
<b>Nguyen and Le Nguyen</b> (2007)	Like the work done by Vazquez and colleagues, researchers concluded that the model consisted of service personnel, physical aspects, policy, and reliability	Supermarkets	Vietnam
Lu and Seock (2008)	Three dimensions emerged, namely, physical interaction, convenience, and store image	Department stores	The US



<b>Author(s)</b>	<b>Summarised findings</b>	<b>Retail setting</b>	<b>Geographic setting</b>
<b>Nadiri and Tumer (2009)</b>	The study validated the model proposed by Dabholkar and colleagues	Retail chain stores	North Cyprus
<b>Das et al. (2010)</b>	Similar finding to Nadiri and Tumer's (2009) research	Department stores, discount stores and supermarkets	Kazakhstan
<b>Torlak et al. (2010)</b>	The study concluded that the model's dimensions, namely store policies, personnel interaction, reliability, and physical aspects, are perceived differently in supermarkets vs discount stores	Supermarkets and discount stores	Turkey
<b>Martinelli &amp; Balboni (2012)</b>	The study just like Vázquez et al.'s (2001) study presented a more parsimonious model of RSQ	Grocery stores	Italy
<b>Ibrahim et al. (2013)</b>	Work essentially lends credence to the initial RSQ model	Supermarket	Malaysia
<b>Anselmsson and Johansson (2014)</b>	Although the study attempted to validate the study by Vázquez et al. (2001) and RSQ model in general; findings, however, indicated limited explanatory power of the model	Supermarkets and discount stores	Sweden
<b>Deb &amp; Lomo-David (2014)</b>	Research validated and ranked the underlying dimensions of the model, further lending support to its application in appraising CPQ	Grocery retail chains	India
<b>Ha et al. (2014)</b>	The study pointed towards the applicability of RSQ model in the given context	Supermarket	Vietnam
<b>Mahfooz (2014)</b>	The study provided confirmation for the model and hence a useful tool in the evaluation of CPQ	Hypermarket	Saudi Arabia
<b>Sivapalan and Jebarajakirthy (2017)</b>	The study draws attention to the usefulness of this model in evaluating CPQ and it demonstrates that that information on retailers predicts the dimensions of RSQ	Supermarkets	Sri Lanka
<b>Diallo and Seck (2018)</b>	Study operationalises a more parsimonious RSQ model, suggesting the dimensions of physical aspects, reliability and personnel attention when investigating the phenomenon of CPQ	Large retail chains	Brazil and Vietnam

**Table All** Measurement items and their sources

<b>Constructs</b>	<b>Source</b>
<i>WoM communication (1-strongly disagree to 6-strongly agree)</i>	Fullerton and Taylor (2002)
<b>I say positive things about this shop to other people</b>	
<b>I encourage close friends and relatives to make purchases in this shop</b>	
<b>Overall, I would recommend the shop to someone who seeks my opinion/advice</b>	
<i>Commercial friendship (1-strongly disagree to 6-strongly agree)</i>	Price and Arnould (1999)
<b>I feel a sense of familiarity with the owner and/or employees of this store</b>	
<b>Over time, I have had this feeling of trust and closeness with the store owner and/or its employees</b>	
<b>Interacting with owner and/or employees of this store makes me feel that I'm speaking with a friend</b>	
<b>This retailer seems to care enough about me</b>	
<b>Overall, I feel close to this store during the service interaction</b>	
<i>Higher-order CPQ construct: reliability, personal interaction, policy and physical aspects</i>	
<b>Reliability (1- completely false to 5- completely true)</b>	Dabholkar <i>et al.</i> (1996) and Vázquez <i>et al.</i> (2001)
<b>There are always stocks of products/brands desired by customers</b>	
<b>The shop provides the services and goods as customers were promised and allows returns</b>	
<b>When this shop promises to do something by a certain time, it will do so</b>	
<b>The quality of the goods/services are consistently good</b>	
<b>Personal interaction (1- not true at all to 5- completely true)</b>	Same as above
<b>The owner and/or employees of this shop show sincere interest in assisting customers</b>	
<b>The owner and/or employees are never too busy to respond to customer requests or complain</b>	
<b>The owner and/or employees are always quick to exchange pleasantries with customers</b>	
<b>This shop gives me personal attention</b>	
<b>Policy (1-strongly disagree to 6-strongly agree)</b>	Same as above
<b>This shop consistently offers customers prompt service</b>	
<b>The product prices are reasonable</b>	

Constructs	Source
<b>The operating hours are convenient for customers</b>	Same as above
<b>Returning or exchanging a purchase is not frowned at</b>	
<b>This shop allows for flexible payments</b>	
<b>Physical aspects (1-strongly disagree to 5-strongly agree)</b>	
<b>Shop is clean and attractive</b>	
<b>The way the shop is arranged makes it easy for customers to find what they need</b>	
<b>Materials associated with the shop such as shopping/paper bags are visually appealing</b>	
<b>The shop is easily accessible</b>	