Retail Service Quality in a Transition Economy: The Case of Estonia

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Published

2006

Thesis Type

Thesis (PhD Doctorate)

School

Griffith Business School

DOI

10.25904/1912/643

Retail Service Quality in a Transition Economy: The Case of Estonia

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Submitted in fulfilment of the requirement for the degree of Doctor of Philosophy

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Abstract

Transition economies are regions/countries defined as transitioning from centrally planned governments, limited private enterprise, non-democratic societies, to free(er) markets, increased privatisation of government owned industries and enterprises, and greater democratic institutions (best exemplified by the former Soviet Union, and countries of Central and Eastern Europe). In contrast to the developed or Western countries of the world, where service industries form the dominant economic sector, the service sector in transition economies historically lagged that of agriculture and manufacturing. Thus, although the investigation of service-related marketing phenomena (such as service quality) has been extensively researched in developed markets, the extension of this research to countries in transition is limited. Furthermore, there appears to be no thorough investigation of the service quality construct within a transition economy.

Consequently, this research strives to close a gap that exists within the service quality research literature by extending the study of the construct to regions in transition. Moreover, within the service sector the retail sector has received great attention as a way in which to operationalise measures of the service quality construct, but not so in a transition economy setting. Given these gaps in the extant literature, the research problem answered is:

"How do consumers perceive retail service quality in transition economies?"

The literature has been silent on this question, thus, the application of existing measures of retail service quality within developed economies were merged and incorporated within the field of

cross-cultural literature to develop a conceptual framework of study. In order to best answer the research question, a series of four research issues were developed:

Research Issue One: Can Western concepts of retail service quality construct be applied to a transition economy like Estonia?

Research Issue Two: How should the retail service quality construct be conceptualized in Estonia?

Research Issue Three: What are the factors of the retail service quality construct in Estonia?

Research Issue Four: What is the relationship of the retail service quality construct to shopping behaviour in Estonia?

A combination of qualitative and quantitative research methodologies was employed in order to address these issues. The research was conducted using a *four-study approach*, with each study being built upon the previous findings.

Study 1 examined the reliability of existing scale measures of retail service quality extending to a transition economy. This was accomplished by collecting empirical survey data using established retail service quality scale items within the transition economy of Estonia. The findings of Study 1 supported the extant literature that retail service quality is best modelled using a multi-factor structure, but unlike developed economy studies, the three factors of *physical aspects, personal interaction, and problem solving* best represented the construct.

Study 2 was designed to address the non-trivial cultural differences that were highlighted in the literature in terms of measuring retail service quality. A three stage qualitative methodology was developed to understand how these cultural differences reflected on the defining and measurement of retail service quality in Estonia. The combining of the findings of an Estonian critical incident technique (CIT) study, multiple focus groups, and multiple retailer interviews aligned with the proposed three factors of retail service quality found in Study 1, and uncovered Estonian scale items not previously tested in the literature. These findings lent support that the proposed retail service quality factors could go beyond purely *West* or developed economy measures.

Study 3 empirically tested a preliminary retail service quality questionnaire based on the findings of Studies 1 and 2, and tested using Estonian consumers perceptions of their shopping experiences at the five largest department/discount stores in Estonia. Although limited by the small sample size, again the three-factor structure was strongly supported.

The final study was to quantitatively test a scale measures with a second, significantly larger sample to confirm scale validity and reliability. Additionally, Study 4 allowed for the testing of the predictive validity of the retail service quality construct within the larger context of retail shopping behaviour, as it relates to attitude to the store brand, and customer store loyalty.

This research makes a number of contributions to both knowledge and practice. With respect to research theory, the findings indicate that within Estonia, retail service quality is interpreted at both an integrated level and an attribute level. Estonian consumers understand the concept of retail service quality, and it is a valid construct for measuring retail service. Furthermore, the best structure of the retail service quality construct is one identified by three factors labelled physical aspects, personal interaction, and problem solving. Furthermore, each of the identified factors is a distinct dimension of retail service, and together represents a significant way in which a consumer forms their attitude to the retail brand, which in turn impacts upon customer loyalty.

From a retail practice perspective, this research empirically demonstrates the variety of consumer views and perceptions held by consumers in a transition economy with respect to measures of retail service quality. As one of the first known in-depth studies of this topic in a transition economy, the result is a greater understanding of the role that cultural variables have on global, versus regional, versus local, retailer performance drivers. In particular, what legacies of the pre-transition, or communist period, have permanently shaped consumer behaviour, and which aspects are similar to those of the West.

Thus, the contribution of this study has applications to both academic theory and retail practice. The research literature has extended the understanding of service quality marketing research, and how the retail service quality construct should be defined and measured within a non-Western environment. The findings confirmed earlier studies that retail service quality is best modelled as a multi-factor construct, and that each construct is best defined using multiple measures. This study also confirmed the need for the inclusion of cross-cultural variables when conducting marketing research within a non-Western environment. For retail practice, the findings of this study have implications for the economic development of transition economies, through improved retail operations of both domestic and foreign retailers, and an increased understanding of how superior service quality can lead to improved customer loyalty and profitability.

This research is believed to be the first grounded theory, empirical study within the field of service quality research within a transition economy, thus this thesis research serves as a voice for future transition economy study.

Table of Contents

List of tables

List of figures

List of Appendices

Statement of original authorship

I certify that the ideas, research, findings, analysis, and conclusions contained in this dissertation are entirely my own effort, unless otherwise acknowledged. I also declare that this work has not been previously submitted for a degree or diploma in any other university. To the best of my abilities and knowledge, this thesis contains no material previously published or written by another person except where referenced in the thesis itself.

…………………………………..
Signature of candidate Date: November 23, 2005

J. Brent McKenzie

ENDORSEMENT

…………………………………..
Signature of Principal Supervisor Date:

Professor Bill Merrilees

Acknowledgements

My most sincere thanks are extended to my principal supervisor, and friend, Professor Bill Merrilees, whose assistance, guidance, support and most importantly encouragement have made this thesis possible. I would also like to acknowledge the support of my associate supervisors, Dr. Robert Rugimbana, and Dr. Amos Thomas.

This research could not have been completed without the thoughtful and helpful suggestions, and assistance from my colleagues at the University of Western Ontario, and the academic and administrative staff at Griffith University. In additional, I would like to acknowledge my new friends in Estonia and those that took the time to complete surveys and interviews that provided me with valuable knowledge and insight.

I would like to make special thanks to Dale Miller, who not only provided motivation but also the perspective needed to complete this task, and to one of my oldest friends, Todd Sharman, who provided excellent insight into practitioner perspectives. I would also like to offer my sincere thanks to my family, for their often challenging, but never discouraging support.

Finally, I dedicate this thesis to my wife Karina. She has not only blessed me with two wonderful sons, Tomson and William, but whose constant love, and comfort, allowed this journey to commence, endure, and succeed. I am eternally grateful.

Related papers and presentations based on this research

Articles in refereed publications and conference proceedings

McKenzie, B. (2005), “Retail Service Quality Measures and Culture: An Estonian Case Study”, in Proceedings of the AIB (Academy of International Business) Annual Conference, Quebec City, July.

McKenzie, B., Merrilees, B., and Miller, D. (2005), “Estonia and Canada: Contrasts in Retail Service Quality”, Proceedings of the World Marketing Congress, Muenster, Germany, July.

McKenzie, B. (2004), “Consumer response to retail stockouts: An Estonian case study”, 2nd Annual Symposium on Supply Chain Management. Jointly sponsored by McMaster eBusiness Research Centre (MeRC); Purchasing Management Association of Canada (PMAC); Ontario Research Network in Electronic Commerce (ORNEC). Toronto, September.

McKenzie, B. (2004), “Retailer Country of Origin Effects in Estonia: A Longitudinal Study”, in Proceedings of the 3rd International Conference on Business in Transition Economies, Stockholm School of Economics in Riga, Latvia, September.

McKenzie, B., Merrilees, B., and Wong, H. (2004), “Retailer Nationality: Country of Origin Effects in a Transition Economy”, in Proceedings of Academy of World Business Marketing and Management Development (AWBMAMD), Gold Coast, Australia, July.

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Additional conference proceedings and presentations

McKenzie, B. (2005), “Slavic vs. Baltic Cultural Values and Service Quality: A Comparative Perspective”. Congress of the Humanities and Social Sciences Federation of Canada, University of Western Ontario, London, Ontario. May.

McKenzie, B. (2004), “Retailer Nationality: Country of Origin Effects in Estonia”, 19th Conference on Baltic Studies, University of Toronto, Toronto, Ontario, June.

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Other Presentations

Estonian Traders Association (Eesti Kaupmeeste Liit), Tallinn, Estonia, “Estonian Retail Service Quality Research Findings”, presentation to Estonian retailers, and Association members, August, 25th, 2005.

Stockholm School of Economics: Riga, Latvia (SSE Riga), "Customer Retention and Recovery”, workshop for SSE Riga Executive Education, August, 23rd, 2005.

Stockholm School of Economics: Riga, Latvia (SSE Riga), "Retail Service Quality: International Perspectives", presentation to SSE Riga students and alumni, September 6th, 2004.

Estonian Traders Association (Eesti Kaupmeeste Liit), Tallinn, Estonia, “Retail Service Issues”, presentation to Estonian retailers, and association members, August, 21st, 2003.

Estonian Business School (EBS), Tallinn, Estonia, “Measuring Retail Service Quality: A Cross Cultural Comparison”, presentation to EBS undergraduate and MBA students, February, 26th, 2003.

Chapter 1

Introduction

1.1 – Introduction

The fastest growing and most dramatically changing economies of the world during the last fifteen years are referred to as transition economies. The "transition" is from a centrally planned economic, political and social system to one based on democratic free markets and private ownership. Transition economy countries include the former Soviet Union, Central and Eastern Europe, and to a lesser extent, China, Vietnam, and Cambodia. As will be shown, gaps exist in both the academic and practitioner research literature with respect to the study and testing of marketing phenomena within these regions. This research centres on one important field of marketing study-the construct of service quality, in one specific sector-retailing, within a transition economy. The research is accomplished through the development and testing of a theoretical model of retail service quality in an indicative country in transition, the Republic of Estonia.

The remaining sections of this chapter provide the guiding framework for this research. Section 1.2 discusses the research background to this study. Section 1.3 defines the main question to be addressed by this research. Section 1.3 also summarises the research issues explored in order to develop a stream of thought to answer the main research question. Section 1.4 justifies the reasons for this research from both an academic and practitioner perspective and Section 1.5 provides the rationale and support for selecting the Republic of Estonia as the region of study.

Section 1.6 introduces the research design and research methods used. Section 1.7 addresses potential research delimitations, while Section 1.8 clarifies the key terms used within the study. Section 1.9 introduces the subsequent chapters within the dissertation, and Section 1.10 is a summary of this chapter.

1.2 – Research background

One of the leading fields of marketing research has been the study of service quality (Grapentine, 1998). If service quality is, as purported by Powell (1995), a global strategic force, then research needs to be extended beyond Western regions and cultures (Imrie, Cadogan, & McNaugton, 2002; Kim & Jin, 2002). The specific field of service quality research that this study examines is retail service quality. The intent of this research is to increase the understanding of true cultural aspects of consumers in transition economies in general, and Estonia specifically, with respect to the marketing construct of retail service quality.

As marketing concepts, and practices, continue to have a greater global perspective (Keegan 1995; De Burca, Brown, & Fletcher, 2004), the significance of international research increases (Craig & Douglas, 2001). A fundamental debate over this aim is what the goal of international research should be. Should researchers concentrate on developing equivalence of measures across countries in order to extend measurement reliability, or should research focus on a greater understanding of true cultural differences, and thus measurement validity (Parameswaran & Yaprak, 1987; Mullen, 1995).

This study takes the position that these two aims are not mutually exclusive. Thus, the research perspective taken in this dissertation is both idiographic (emic) in its intent to describe the retail service quality construct from a transition economy perspective, and nomothetic (etic) in extending the understanding of the general aspects of the construct as found in the extant literature (Sekaran, 1983).

The construct of service quality, as defined as how consumers perceive the service a company provides (Parasuraman, Zeithaml, & Berry, 1990), has been studied extensively, as evidenced by the research literature (see references in Brown, Churchill, & Peter, 1993; Ghobadian, Speller, & Jones, 1994; Buttle, 1996). From an academic perspective, service quality research has explored the theoretical framework and conceptualisation of the construct (Cronin & Taylor, 1994; Quester & Romaniuk, 1997). From a practitioner standpoint, service quality research has studied the linkages between providing high quality service and attaining superior firm performance (Zeithaml, 2000; Kotler, Armstrong, & Cunningham, 2002).

The operationalisation, or measurement of the service quality construct has also received attention (Parasuraman, Ziethaml, & Berry, 1988; Cronin & Taylor, 1992; Grönroos, 1988). Consensus as to a universal measure of service quality has not been reached in the literature, and studies that have examined construct measurement issues continue to receive research attention (Roberts, Varki, & Brodie, 2003). Questions as to which (or what number of) factors best define the service quality construct (Llosa, Chandon, & Orsingher, 1998; Carman, 1990) and which scale variables should be included (Richard & Allaway, 1993), continue to be contested.

Research studies have examined these questions within a number of different industries, such as car service (Bouman & Van der Weile, 1992) and hospital care (Vandamme & Leunis, 1993), countries including Taiwan (Imrie et al. 2002), and Singapore (Wirtz & Johnston, 2003), and services settings; particularly retailing (Dabholkar, Thorpe, & Rentz, 1996; Finn & Lamb, 1991). Although the extant literature has done a credible job in advancing the understanding of the service quality construct, the vast majority of this research has been based in Western, mainly North American, markets (Yaprak, 2003).

Early academic research in the field of service quality concentrated on pure service encounters; for example, banking, appliance repair, and telephone long-distance service (Parasuraman et al. 1988). Subsequent studies questioned the application of pure service measures within other service settings such as retailing (Carman, 1990; Finn & Lamb, 1991). The added level of complexity created by the mix of merchandise and service questioned the use of pure service measurement models and instruments within a retail setting (Carman, 1990; Dabholkar et al. 1996).

Although retail service quality research has included measures derived from pure service research, a number of studies have questioned the application of pure service quality measurement instruments when measuring and operationalising the retail service quality construct (Dabholkar et al. 1996; Mehta, Lalwani, & Han, 2000; Siu & Cheung, 2001; Kim & Jin, 2002).

The selection of the retail service quality construct for study in a transition economy research is strongly justified. The retail sector represents one of the most visible and perceptible examples of the transition to a market economy (Dutkina, 1996; Remnick, 1997). In the former Soviet Union, Central and Eastern Europe, the end of the planned economic (communist) system led to the freedom to legally buy and sell goods for a profit, something that would previously lead to legal conviction and punishment (Raun, 2001). The result was a rapid growth in retail establishments (Schaeffer, 1995; Dawson, 2001).

Finally, although no single country can statistically be representative of all transition economies, the selection of a country/region in transition for empirical study is important (Priem & Shaffer, 2001; Sell, Chen, Hunter-Holmes, & Johansson, 2002), as the research findings in one transition country may be reflective of others. The Republic of Estonia, as a former republic within the Soviet Union, is a strong choice of a transition economy (International Monetary Fund, 2000). Estonia in this context is defined as an indicative, standard, or typical, transition economy and not as a definitive archetype. In essence, Estonia as the country basis of the thesis, is a "mid-transition" country (in comparison to more "transitioned" regions of Central and Eastern Europe and less "transitioned" countries such as Ukraine, Belarus, and Georgia) and removes potentially confounding variables based on the extremities of the other two groups, which allows the findings based on research using a country such as Estonia extending to some degree to all transition economies. This last point strongly supports Estonia as the choice of transition economy for this study. Furthermore, the Estonian retail sector is both large enough that the research findings can be significant to both theory development and retail practice, and accommodating enough to allow for the relatively unencumbered fieldwork required for this type of research (Statistical Office of Estonia, 2003; Åslund, 2002).

1.3 – Research question and research issues

The aim of the research question is to provide a guiding framework for the research conducted (Glatthorn, 1998). As noted, the goal of this research is to build upon and address gaps within knowledge in the service quality literature relevant to the retail sector. Furthermore, the realm of interest is in countries/regions classified as transition economies. Based on this premise, the question to be answered is:

"How do consumers perceive retail service quality in transition economies?"

This question has not been explored in detail in the literature, thus this research represents the first known study to develop and test a theoretical framework of the retail service quality construct within a transition economy. The substance of this research is that the validity of existing retail service quality scale instruments extending to transition economies can be questioned. If consumers in transition economies perceive and interpret the variables that represent service quality in a different way from consumers within developed economies, then in order to answer the research question, a number of research issues need to be explored. The inquiry into each research issue will build a greater understanding of subsequent research issues, and when taken in total, lead to an answering of the research question (Glatthorn, 1998).

Research Issue One examines the role that Western concepts of retail service quality extend to economies in transition. Thus, the aim of the first research issue is to establish the broad similarities and differences between how existing models and measures of retail service quality extend to economies in transition.

Research Issue Two attempts to better understand cultural similarities and differences between transition and developed economies. A consensus definition of how to best define and measure retail service quality has not been achieved in the literature, but there is general agreement across social science disciplines that the study of culture helps to uncover how society and, by extension, its consumers behave (Bloom, 1990; Smith, 1991; Pye, 1997). The significance of the examination relates to the impact cultural variables have on the conceptualisation and measurement of research service quality. This cross-cultural analysis allows for a better understanding of transition economy culture, and how culture shapes consumer behaviour.

Research Issue Three is concerned with how to operationalise the retail service quality construct (Dabholkar et al. 1996; Kim & Jin 2002). What factors, or dimensions, best measure the retail service quality construct? What scale items should be used in developing measures of retail service quality? These questions particularly need to be addressed from a transition economy cultural perspective, or at least a non-Western/developed economy perspective.

Finally, Research Issue Four relates to understanding the result, or value, of delivering superior service quality within a retail setting. In terms of predictive validity, one variable judged to measure superior retail performance is customer loyalty (Dick & Basu, 1994; Sirohi, McLaughlin, & Wittink, 1998; de Ruyter, Wetzels, & Bloemer, 1998; Oliver, 1999). Customer loyalty is defined as a non-random (biased) behavioural response with respect to store choice (Jacoby & Chestnut, 1978). Related to loyalty is the consumers' attitude to the brand (Selnes, 1993; Low & Lamb, 2000), and in this case, the attitude to the retailer. Both of these relate to shopping behaviour, and therefore, the fourth research issue examines the role played by retail service quality in shopping behaviour within a transition economy.

In brief, developing and testing a theoretical framework of retail service quality and shopping behaviour in Estonia will answer the main research question. This is accomplished by understanding the underlying factor structure of the retail service quality construct and the identification of the scale items that best represent these factors. In terms of retail practice, this study will provide a diagnostic tool for analyzing retail service performance within a transition economy (Dabholkar et al. 1996).

1.4 – Justification for this research

There are three justifications for this research. The first is that transition economies represent many of the fastest growing economies in the world (Åslund, 2002), and almost one-third of the world's population can be categorised as living in countries in transition (International Monetary Fund, 2000). Furthermore, transition economies represent a significant opportunity for both domestic and international commercial activity (Arnold & Quelch, 1998), and play an increasingly larger role in international bodies such as the European Union, NATO, and the World Trade Organisation (Dana, 2000; Michalopoulos, 2000; Baltas, 2001). The services sector represents the majority of economic output and growth within developed markets (World

Bank, 2003). In contrast, prior to the transition to a market-based economy, economic output from countries/regions of the Soviet Union, and Central and Eastern Europe was predicated on industrial production (Stearns, 2001; LeBaron, 2002) at the expense of the service sector. Only since the end of the communist period has the service sector begun to emerge in a major way, and subsequently limited published knowledge exists about service sector phenomenon within transition economies.

The second justification for this research is to add to several existing strands of marketing knowledge. Beginning with a review of the literature in the domains of (1) transition economy studies, (2) service quality, and (3) retail service quality, this research synthesises and links these three (3) fields of inquiry with a cross-cultural lens. The collapse of the Soviet Union in the late 1980s and early 1990s resulted in a research environment that allowed for easier access for relatively uncensored study. Within these previously closed countries/regions, researchers could now conduct studies to determine whether Western marketing concepts and definitions did or did not take hold (Craig & Douglas, 2001). The study of marketing phenomena provides the opportunity to test, apply, and extend existing marketing theories and models into regions of the world previously inaccessible to most Western researchers (Sutton, Balch, & Lefebvre, 1995; Shultz II & Pecotich, 1997; Arnold & Quelch, 1998; Craig & Douglas, 2001). The second field of literature supporting this study is retail service quality. This research furthers understanding of the retail service quality construct in terms of scale items to describe and define relevant factors of the construct within a market that has not previously been successfully studied in this field. For academic researchers, the construct of retail service quality continues to represent a potentially fruitful and relatively untapped field of marketing research. For practitioners, this research adds to the body of knowledge on cross-cultural studies in terms of both research methodology and the identification of cross-cultural differences within regions that have a limited history of such practices.

The third justification for this research is to retail practice. The number of retailers increased rapidly as the planned economy, or communist, period ended within transition economies (Drtina, 1995; Robinson, 1998; Dawson, 2000). Previously the vast majority of retailers were small and competed mainly on price (Semionoviene, 2003). As the economies began to grow and the political and social environments changed, more modern, larger, and foreign-owned retailers entered the marketplace (Dawson, 1999; Eesti Konjunktuurlinstituut, 2002). Price was no longer the sole criterion for retail competition (Dunne, Lusch, & Griffith, 2002), and there was a need for retailers to have a greater understanding of additional retail practices and retail drivers, from a local perspective (Eesti Kaupmeeste Liit, 2004). Finally, a stronger awareness of how retailers should make marketing strategy and operational decisions has important managerial implications in terms of retailing, educational development, and East/West business opportunities (Smith, 1990; Lempert, 1996; Cyr, 1997). The research findings of this study, using Estonia as a transition economy, are expected to be of interest to both foreign retailers looking at expanding operations into Estonia and similar countries in transition, as well as to domestic retailers who would have historically had less experience and access to service quality research of this type.

1.5 - The Republic of Estonia

One identifier of countries in transition is the number and types of changes that have occurred since the end of the planned economy (communist) period. In the transition from a planned to a freer market economy, change did not occur solely from an economic perspective, but also societal and cultural (Blom, Melin, & Nikula, 1996). The Republic of Estonia is such a country (Lauristin, Vihalemm, Rosengren, & Weibull, 1997).

Estonia is the smallest of the Baltic countries (the others being Latvia and Lithuania), and has a population of approximately 1.5 million (see Figure 1.1).

Figure 1.1 – Republic of Estonia – political map

Source: http://www.cia.gov/cia/publications/factbook/geos/en.html

The reasons for selecting Estonia are strong. Table 1.1 lists the six criteria used in selecting Estonia for this study, and each is reviewed in turn.

Table 1.1 Relevance of the Republic of Estonia for study

1. Estonia is worth studying as something is known about it based on existing literature
2. Estonia has a growing retail sector
3. Estonia differs from the west/developed economies
4. Estonia is indicative/representative of a transition economy
5. Additional transition economies are similar to Estonia
6. Social relevance of research

One of the ways in which conceptual models develop and theory is built is through a greater understanding of the relevance of the phenomena of interest. This relevance is brought to the fore by examining previous research of the phenomena (Phillips, 1976). The study of Estonia as a country and culture, has an extensive history in academic literature before, during, and after the Soviet period (for example, Taagepera, 1993; Smith, 2001; Laar, 2002). Estonia has had a conflicting history of looking westward towards Europe (Smooha & Hanf, 1992), eastward away from Germany (Jakobson, Grenzstein, & Jannsen, 1999), and more recently northward towards Scandinavia (Ilves, 2001). Despite these often-conflicting orientations, the Estonian language and culture has arguably remained relatively distinct (Lieven, 1993).

The selection of Estonia, as a country variable of study, has been used to examine organisation activities (Liuhto, 1995; 1999), economic reform (Hoag & Kasoff, 1999; Brown, 1993), foreign trade (Reiljan & Ivanov, 2000), and entrepreneurial studies (Liuhto, 1996). What is lacking in the literature is the inclusion of Estonia as a country variable in marketing related research. Other than a study of shopping behaviour as co-authored by this writer (Merrilees, Miller, & McKenzie, 2001), and an article on non-profit marketing (Brokaw & Brokaw, 2003), the published marketing related literature using Estonia, as the country variable appears virtually non-existent. Thus, although limited, we have a basis of knowledge about Estonia in a number of realms from which future studies can advance conceptual models and theory development, and testing (Zikmund, 2003).

The second criterion supporting the selection of Estonia is the nature of its retail sector. Estonia's economy was similar to other Scandinavian countries prior to 1940. With its forced annexation into the Soviet Union, the Estonian economy, as with those of other Soviet republics, was transformed into a centrally planned, communist, economic, political, and social system. The Soviet system went beyond physical (i.e. military) occupation to encompass all aspects of social and economic life. Starting with the banning of private ownership (Raun, 2001), Estonia became a typical communist economy. Its Gross Domestic Product (GDP) was dominated by manufacturing and agriculture. As recently as 1989 the mix of GDP was still Manufacturing, 37%; Agriculture, 22%; Services, 41% (Kein & Tali, 1995).

In 1991, Estonian independence was re-established, and since 1992, private property and economic market conditions have been protected by law, under a new constitution. The Estonian economy began to change dramatically and by 1999 the GDP percentages had shifted more towards Western economic metrics of Manufacturing, 14%, Agriculture, 3%, and Services 78% (Statistical Office of Estonia, 2003).

Within the service sector, the size of the Estonian retail sector grew from 3.0 Billion Estonian Kroons (~ 300 Million Australian Dollars) in 1993, to 13.8 Billion Estonian Kroons (~1.38 Million Australian Dollars) in 2002 (Statistical Office of Estonia, 2003). In 1989 the retail sector made up 7% of Estonia’s GDP, and had doubled to 14% by 1999. The number of retail establishments also grew significantly from just over three thousand enterprises in 1996 to more than five thousand by 2001 (Statistical Office of Estonia, 2003). Thus, the Estonian retail sector is sufficiently large and diverse to be researched in terms of academic and empirical study (Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj, 2000; Åslund, 2002).

The third selection criteria is Estonia differs from the West. As noted, as indicative of a transition economy, Estonia differs from the West economically in terms of a significantly lower average GDP (World Bank, 2001; Terterov, 2003), and also politically, in terms of a radical shift from a centrally planned/communist system, to a free-market and democratic system (Lauristin et al. 1997; Raun, 2001) and culturally, in terms of value priorities (Allik & Realo, 1996; Schwartz & Bardi, 1997; Realo & Allik, 1999; Gelfand & Realo, 1999).

Furthermore, Estonia, unlike other transition countries of Central and Eastern Europe (for example, Poland; Bulgaria; Hungary), as a Soviet Republic (the Estonian Socialist Republic - ESSR), was further cut off from Western culture than countries in Central and Eastern Europe (Service, 1998; Brüggemann, 2003). Estonia was arguably exposed to a greater degree of Sovietisation (Tomingas, 1973; Virkkunen, 1999) than were countries of Central and Eastern Europe.

Estonia can also be classified as being fairly indicative of a transition economy. Although research has shown support that findings based on a single-country study contribute sufficiently to knowledge (Gernon & Wallace, 1995; Buckley, 2002), the findings using Estonia may also be generalisable to similar transition economies (Okoroafo & Russow, 1993; Danis & Parkhe, 2002;

Schaffer & Riordan, 2003). Unlike the Russification of the former Soviet republics of Kazakhstan, Belarus, and the Ukraine (Schwartz, Bardi, & Bianchi, 2000), Estonia managed to maintain its language and customs during the Soviet period (Sillaste, 1995; Smith, 2001; Tannberg, Mäesalu, Lukas, Laur, & Pajur, 2002).

Additionally, the findings from research based on the study of small countries like Estonia can lead to increased understanding of complex regional phenomena by isolating the number of confounding variables more prevalent in larger countries/regions (Hackmann, 2002). Thus, it is supposed that specific findings derived from Estonian based research will result in research findings that can also be extrapolated to transition economies of similar size and history, for example, Latvia; Lithuania; Slovenia.

Finally, one of the responsibilities that social science research has historically undertaken is making a contribution to knowledge beyond the stated aim of the study, and making a contribution to society in general (Wilkie & Moore, 1999; Flynn, 2000). The position that this dissertation takes is that if little outside interest is paid to countries such as Estonia, due to its relatively small population and geographic size, study of its culture would be subsumed within the culture of larger neighbouring countries (Raun, 2001).

1.6 – Research design

This thesis is conducted using a multi-faceted, multi-method research approach (Brewer & Hunter, 1989). The research design draws on the extant literature within the domains of transition economy studies, service quality, and retail service quality, within the framework of a cross-cultural perspective. In order to best examine the research issues discussed, a combination of qualitative and quantitative research methodologies are employed. The research involves a four-study approach, as shown in Figure 1.2, with each study building upon the findings of the previous and aligned with the related research issues.

Figure 1.2 – Research design

Study/Purpose
1. To investigate the retail service quality construct within Estonia using a developed economy framework
2. To collect qualitative retail service quality information from consumers and retailers in Estonia
3. To develop and test a quantitative survey questionnaire of retail service quality in Estonia
4. To further develop the survey from Study 3 plus develop a model of shopping behaviour that explains customer store loyalty

Study 1 involves an empirical replication of existing scale measures of retail service quality within a transition economy. A survey questionnaire was administered to Estonian consumers in order to validate/question the existing theoretical framework of the retail service quality construct (Dabholkar et al. 1996). Study 1 also provided insight into the extent that Western developed individual scale items of retail service quality, equally measure and explain the equivalent factor for Estonian consumers.

Study 2 makes a three-stage, qualitative research approach to improving understanding of the retail service quality construct from an Estonian perspective. The first research method, critical incident technique (CIT), was used to perceive how Estonian consumers interpret retail activities and practices, as indicative of good, or bad, retail service (Flanagan, 1954). The second qualitative technique is Estonian-based focus groups (Rubin & Rubin, 1995). The purpose of the focus groups was to capture Estonian consumers' perceptions of retail service quality measures. The use of focus groups allowed for a wider uncovering of factors of importance to Estonian customers in evaluating service quality, within a less constrictive, and more open, setting (Krueger, 1994; Dabholkar et al. 1996). The third qualitative technique is semi-structured interviews (Marshall & Rossman, 1995). The semi-structured interviews were conducted in Estonia with Estonian retail practitioners. The reason for including service provider input was to provide a greater perspective as to how the retail service quality concept is defined through the inclusion of additional, possibly contrary, voices (Thompson, Locander, & Pollio, 1989).

Study 3 is a quantitative study involving the creation of a scale instrument to empirically measure the retail service quality construct, and to test the proposed factor structure, from an Estonian perspective. The survey scale items are derived from the extant literature, and the findings of Study 1, and Study 2. The purpose of Study 3 is to pilot the scale instrument with actual Estonian consumers.

The purpose of Study 4 is two-fold. Based on the empirical findings of Study 3, the survey instrument was refined in terms of scale items, wording, and survey design. The resulting survey instrument was empirically tested with a second, larger, Estonian sample to confirm scale validity and reliability. The second purpose of Study 4 was to test the hypothesised relationships of the theorised relationship of the retail service quality construct within the realm of shopping behaviour. The survey data was analysed using standard statistical tests and confirmatory factor analysis (Davis, 2000), and path analysis to test for the validity of the predicted constructs (Kachigan, 1991).

1.7 – Research delimitations

All research is delimitated by its scope and choice of research methods (Glatthorn, 1998). In terms of scope, this research is confined to one country and one industry. It should be noted that the data for this study is drawn from the shopping experiences of *Estonian consumers*, shopping in Estonia. Shopping itself is viewed as a global activity (Berman & Evans, 2001), but consumer reasons for shopping exist within their own environment and motivations (Laroche & McDougall, 2000), and are beyond this research. Furthermore, the retail sector is the industry of study and the extension of the research findings to other industries is left to future researchers. Nevertheless, the findings may apply to other transition economies with similar retail environments.

Research methods have their supporters and detractors, but the research design proposed for this study is a sound, justifiable, research framework for conducting international marketing research (Czinkota & Ronkainen, 2002). The inclusion of both multiple studies, and multiple research methods, helps to increase confidence in the research findings (Jick, 1979).

1.8 – Terms and definitions used in this research

As one of the central tenets of this study, there is a need to clarify the term *transition economy*. A *transition economy* describes countries transitioning from a centrally-planned (communist) economy, to free(r) markets, a democratic society, and extensive privatisation of former state run enterprises (Kornai, 2000; Czinkota & Ronkainen, 1997). The twenty-eight countries of the former Soviet Union, and Central and Eastern Europe best define this group. Transition economies may have economic similarities to emerging economies (i.e. countries in South America and Africa), but emerging economies are generally classified solely by economic measures such as per capita GDP, and GDP growth, and not political and social change (United Nations, 1996; IMF, 2000; World Bank, 2001).

Additional ways in which transition economies are defined, in contrast to developed markets (i.e. Australia; Canada; Japan; Western Europe; United States), is with respect to both qualitative and quantitative variables such as: (1) high economic growth potential; (2) a dynamic demographic structure; (3) cheaper factors of production; (4) a higher reliance on external capital; (5) higher degrees of economic, social and political uncertainty; and (6) higher market volatility (Batra, 1997; Frydman, Gray, Hessel, & Rapaczynksi, 1999; Nellis, 1999; IMF, 2000).

Table 1.2 - Transition economies

Former Soviet Union (FSU)	Central and Eastern Europe (CEE)	South East Asia
Albania	Bosnia and Herzegovina	Cambodia
Armenia	Bulgaria	China
Azerbaijan	Croatia	Laos
Belarus	Czech Republic	Vietnam
Estonia	Hungary	
Georgia	Poland	
Kazakhstan	Romania	
Kyrgyz Republic	Slovakia	
Latvia	Slovenia	
Lithuania	Yugoslavia	
Macedonia		
Moldova		
Mongolia		
Russia		
Tajikistan		
Turkmenistan		
Ukraine		
Uzbekistan		

Source: International Monetary Fund, (2000) The International Finance Corporation (Fischer & Gelb, 1991) defines a transition economy as a market growing in size and sophistication, in contrast to a market that is relatively small, inactive, and gives little appearance of change. Early references to the terms transition economies/emerging markets appear to be a response to the more derogatory term (from the perspective of people in these countries) less developed countries (LDCs) (IMF, 2000). There are 32 countries in *transition*, as listed in Table 1.2.

Finally, while care has been taken during the writing of this dissertation to ensure all terminology is clearly defined and explained within the context of the relevant chapter/text, the following case warrants further explanation. The *Republic of Estonia (Eesti Vabariiki),* at the time of writing, is the legal name of the country of study. This is also the official name of the country that existed during Estonia's original period of independence during the years between World War I and World War II (Tannberg et al. 2002). From the end of World War II until independence from the Soviet Union was regained in 1991, the country is referred to as *The Estonian Soviet Socialist Republic (ESSR).*

The term *former Soviet Republic,* as used within this research, is intended to highlight the period of existence of a former, or current, sovereign nation that was part of the Union of Soviet Socialist Republics (USSR). Its use is not meant to imply Estonia's, or any other country's voluntary, or non-voluntary, acceptance within the Soviet Union. There are instances involved in this research where labels such as *former Soviet Republic,* from an Estonian perspective, would be strongly rejected due to Estonia's forced annexation into the Soviet Union, but are included in the body of this research for the sake of consistency, and clarity, to the reader.

1.9 – Outline of the dissertation

This dissertation has six chapters. The remaining chapters follow a logical flow of discussion and support as to the research background, related literature, conceptual model development, research framework, empirical research design, research findings, and contribution to marketing theory and practice. The guiding principal of each chapter is to move towards answering the research question (Glatthorn, 1998).

The focus of Chapter 2 is to review and synthesise the relevant literature in the four domains of study. The first three domains - transition economy research, service quality, and retail service quality - provide the content for the research. The fourth domain is cross-cultural research literature, and provides the research technique. The literature is reviewed first in the context of transition economies in general, and then the Republic of Estonia specifically. Chapter 2 concludes with a summary of the four fields of literature, and highlights the gaps in the literature to be addressed in the remaining chapters.

Chapters 3 and 4 develop the framework for how the research question, and related research issues are to be answered. Chapter 3 employs the findings of the literature review to propose a conceptual framework of the retail service quality construct in a transition economy, and a theoretical model. The model's key constructs are defined, as well as how the conceptual model will be tested.

Chapter 4 discusses the salient points of the chosen research design, and the basis for the qualitative and quantitative methods used in the four studies. Chapter 4 also provides justification for the selected methods, and reviews activities involved in the development and administration of the Estonian research fieldwork.

Chapter 5 presents the findings of each of the four studies, while the final chapter, Chapter 6, places the findings in the context of theoretical and practical contributions to knowledge, and the research gaps identified in Chapter 2. Chapter 6 also discusses how the research question is answered, highlights potential limitations of the findings, and implications for future study. Following the formalised chapters of the thesis, associated supporting materials including references and appendices are found. Finally, this thesis follows the requirements of *Thesis Preparation* as outlined in the RHD Handbook, Griffith University (2004).

1.10 - Conclusion

As a means of introduction to the dissertation, the intent of Chapter 1 is to provide the reader with the groundwork on the basis of this study in terms of research contribution, research question, research issues, research justification, research design, research studies and research analysis. This chapter places the research in the context of the variables and constructs of study, the country of interest, and the scope and delimitations of research contributions.

Chapter 2

Literature review

2.1 - Introduction

The aim of this chapter is to review and synthesise the extant literature in the four areas of knowledge relevant to this study. The first three domains of knowledge pertain to transition economy research, service quality research, and retail service quality research, and represent the content of the study. The fourth domain is cross-cultural research principles, which provides the research technique used in the study. This introduction serves an overview of the remainder of the chapter.

Section 2.2 reviews the major literature in the field of transition economy study. The intent is to highlight how research models and measurement instruments can be used to better understand differences between transition and developed economies. These differences can have an impact on the development of theoretical frameworks and models. Section 2.2.1 discusses transition economy literature in general, while Section 2.2.2 focuses on transition economy research in the marketing field. Section 2.2.3 reviews the cross-cultural research literature, exploring the relationship between the culture and the people within transition economies. This field of enquiry focuses on the three ways in which culture has been researched in transition economies: individualism and collectivism (Section 2.2.3.1); personal values (Section 2.2.3.2); and the World Values Surveys (Section 2.2.3.3). Each section is followed by a summary of the relationship and linkages between the three (Section 2.2.3.4). Section 2.2.4 presents conclusions drawn from the transition economy literature.

Section 2.3 is the second literature domain, service quality research. The focus of this section is not to review all service quality literature, but rather to synthesise the existing research that does, or does not, support the extension of existing service quality findings to transition economies. Section 2.3.1 reviews the historical context of service quality research by introducing the two major fields of service quality research, how service quality should be defined and measured (Section 2.3.2). Section 2.3.3 reviews the service quality construct within transition economies, while conclusions are presented in Section 2.3.4.

The structure of Section 2.4 mirrors that of Section 2.3 by examining the retail service quality literature. As retail service quality is the core construct of interest in this thesis, attention focuses on the measurement and dimensionality of the construct (Section 2.4.2). Conclusions are discussed in Section 2.4.4.

The fourth domain of knowledge, cross-cultural research principles, reviews the literature from a technique perspective that supports the research proposed in this study (Section 2.5). Following the introduction to the literature (Section 2.5.1), the next three sections review the key areas of interest in this field. The first area reviewed is the emic and etic debate in cross-cultural research (Section 2.5.2). The next selection reviews the challenges involved in conducting cross-cultural research (Section 2.5.3), while the third area incorporates the first two within transition economies (Section 2.5.4). Section 2.5.5 provides a brief summary of the cross-cultural research principles literature.

The remainder of this chapter summarises the literature reviewed (Section 2.6) and discusses relevant gaps in the literature (Section 2.7). The chapter concludes with remarks on how this literature review is used to frame the development of the research study that follows (Section 2.8).

2.2 - Transition Economies

2.2.1 - Introduction

The extant literature in international marketing research has examined a number of marketing variables (Kumar, 2000; De Burca et al. 2004). One stream of research is that of area studies (Douglas & Craig, 1992). One challenge in this field of research is how to best classify regions (Welsh & Alon, 2001; Åslund, 2002). Some researchers advocate using a selection method based on national borders or countries (de Mooij, 2004) while others suggest that classification by culture is more appropriate (Hofstede, 2004). Within the transition economy literature, both country variables (Hooley, Fahy, Greenley, Beracs, Fonfara & Snoj, 2001) and cultural variables (Schwartz & Bardi, 1997) have been used.

As introduced in Chapter 1, a transition economy is a country that has changed/is changing from a centrally-planned economic system (communist), with limited private enterprise, to one of free(er) markets, increased privatisation of government-owned industries and enterprises, and greater democratic institutions (Kornai, 2000; Czinkota & Ronkainen, 1997). Furthermore, within the transition economy literature, there are additional levels of delineation. The descriptor of the *transition* process, as countries moving to free(r) market practices, and the privatisation of former state-run enterprises (Åslund, 2002), represent a shift in market governance, or the extent to which a country's central government promotes and encourages greater degrees of market activity. This definition of a transition economy is most evident in the countries of Central and Eastern Europe, and the former Soviet Union, where mass social movements led to political revolutions that spawned economic change (Service, 1998; 2002). In contrast, changes in South East Asia were initiated and led by the central communist governments who retained ownership and control over vast sectors of the economy. These countries are viewed as *less transitioned* (Andrews-Speed, Dow, & Gao, 2000; Welsh & Alon, 2001; Painter, 2003).

There are increased complexities that researchers face in studying phenomena within transition economies that do not exist in studying the same phenomena within developed markets (Lascu, Manrai & Manrai 1993). For instance one of the principal tenets of international economies is that the theory of Purchasing Power Parity (PPP), which is based on the premise that a common basket of goods, when quoted in the same currency, should cost the same in two countries holds true across all markets (Kotabe & Helsen, 2004). One of the assumptions of the theory is that all goods are identical in both countries, and that transportation costs and trade barriers are low. In transition economies these assumptions have been questioned due to the strong monetary shocks that occurred during the transition from a planned to a market economy that meaningfully altered prices, exchange rates, and trade patterns (Halpern & Wyplosz, 1997).

Thus there is the added need to understand the economic, social, and political environment prior to transition, if valid findings during the post transition period are to be made. As purported in research by Braun (1999), and the transition in Hungary, one must understand the pre-transition period if one wants to develop conceptual models and research propositions. A lack of acknowledgement of the influence the system had on how the people within these regions functioned in their day-to-day lives can result in erroneous and unreliable research findings (Boddewyn, 1981; Wells, 1993; Steenkamp, 2001).

By way of conclusion, one of the aims of marketing science is to explain, predict and understand phenomena of interest (Hunt, 1991), but as noted by Steenkamp (2001), the majority of empirical studies, especially those published in the major marketing journals, are based solely on empirical findings drawn from American or Western based research. In order to advance the understanding of marketing science in non-Western environments, increased research conducted in, and about, transition economies should be made (Leone & Schultz 1980; Albaum & Peterson 1984; Yaprak, 2003).

2.2.2 - Marketing research in transition economies

Researchers have argued that marketing activities can help to improve business performance through stimulating economic development, as well as economic reforms (Kindra, 1984; Thomas, 1991). The assumption in this debate is that a marketing-oriented or consumer-focused culture must exist for marketing-related activities to be effective (Kohli & Jaworski, 1990). This assumption is tenuous at best when using transition economies as the region of study (Wills & Hayhurst, 1971; Lazer, 1986; Jacobs, 1986). Although the idea of the marketing concept was discussed within communist regions (Felker, 1966; Wills & Hayhurst, 1971; Barksdale, Kelly, & MacFarlane, 1978), as summarised by Ennew, Filatotchev, Wright, & Buck, (1993), within the communist system the role of central planning in the former Soviet Union saw little need for management activities related to the marketing function. The result was a system where the output was driven by the production cycle. Performance was measured not by those receiving the output, but purely in relation to planned targets, regardless of the fit of the product to the requirements of the market (Wills & Hayhurst, 1971; Ennew et al. 1993).

With the fall of communism came an increased interest in marketing phenomena (see summary of selected literature in Table 2.1). Although a number of the studies in Table 2.1 involved empirical research (James 1992; Hooley 1993), the majority focused on reporting and comparing marketing phenomenon in these regions rather than developing or adapting and testing theories specifically grounded in the regions. Of the more recent studies (Jevons & Pidgeon, 2001; Nguyen, Kwon , Lantz, & Loeb, (2003) the goal has been on finding common tendencies and behaviours between consumers in developed and transition economies.

The major thrust of the extant research is summarised from two contrasting positions. The first is that marketing perspectives in transition economies will drift towards *Westernised* or developed economy views that focus on the *marketing concept* and meeting the needs of the consumer (de Mooij, 2004). The second perspective is that there are enduring, non-trivial differences between how marketing activities are performed and delivered in the West versus transition economies (Batra, 1999). Both of these viewpoints are relevant to this study.

Table 2.1 – Selected transition economy marketing research

Representative studies	Transition economy	Marketing variables
Arnold, Chadraba, & Springer, (2001)	CEE and FSU	general
Batra, (1997)	CEE	general
Chang, Mehta, Chen, Polsa, & Mazur, (1999)	Poland	marketing orientation
Cui, (1999)	China	consumer behaviour
Dahab, Su, Riolli, & Marquardt, (1997)	Albania	retail
Ellis, Williams, & Zuo, (2003)	China	retail
Ennew, Filatotchev, Wright, & Buck (1993)	FSU	marketing concept
Ettenson, (1993)	CEE and FSU	country of origin effects
Golden, Doney, Johnson, & Smith, (1995)	Russia	marketing orientation
Good, Huddleston, & Stoel (1995)	Russia	retail
Hooley, (1993)	CEE and FSU	general
James, (1992)	Hungary	retail
Jevons & Pidgeon, (2001)	Vietnam	customer satisfaction
Klenosky, Benet, & Chadraba, (1996)	Czech Republic	consumer behaviour
Lascu, Minrai, & Manrai, (1993)	Romania	general
Lynn, Lytle, & Bobek, (2000)	Slovenia	service orientation
Mai, Jung, Lantz, & Loeb, (2003)	Vietnam	buying behaviour
McDonald, Darbyshire, & Jevons (2000)	Vietnam	retail
Merrilees, Miller, & McKenzie, (2001)	Estonia	retail
Nedialkova, (2001)	Bulgaria	retail
Quelch, Joachimsthaler, & Nueno, (1991)	CEE	general
Robinson, (1998)	Russia	retail
Waters, (1999)	Poland	retail
Welsh, & Alon, (2001)	CEE	franchising
Zhao, Bai, & Hui (2002)	China	retail

The *Westernising* perspective takes the position that as disposable income levels rise, the retail market will move from being a seller's market, to a buyer's market. This will be evidenced by more stable access to goods, and increased consumer purchasing power (Arnold, Chadraba, & Springer, 2001). The increased entry and success of Western retailers within transition economies seems to support this point (Alexander, 1997; Semionoviene, 2004).

In contrast, rising incomes and increased market reforms cannot fully overcome the living conditions that lasted for more than forty years in these regions (Service, 1998). The transition economy consumer accessibility to a wide selection of domestic and foreign-produced goods, and the growth in the number of (and types of) retail establishments, did represent a dramatic shift from the period of limited goods, and non-existent retail competition (Robinson, 1998). The unanswered question is how consumers will re-learn many of their previous ways of thinking, as previously most information was planned by and dictated by the central State (Tannberg et al. 2002).

In brief, within transition economies, the political and economic landscape may have changed, but the majority of people's daily lives were shaped under the previous economic and political system. The implication is that the communist way of thinking, and one's perception of society and how it works may not have changed (Drakulic, 1992). Thus, in order to increase knowledge of marketing practices and concepts, and to better understand consumer behaviour within transition economies, a need exists to understand the variables that account for these differences in comparison to similar variables in the West. The next section reviews the cultural standards literature that has examined this issue.

2.2.3 - Cultural research

The study of culture, like that of transition economies, has been challenged by many researchers in the attempt to provide a unifying definition (de Mooij, 2004). Although consensus in the literature has not been achieved, a general agreement across social science disciplines is that the study of culture helps to uncover how society and, by extension, its consumers behave (Bloom, 1990; Smith, 1991; Pye, 1997). As the focus of this study is to develop, and empirically test, a conceptual model of a marketing construct, there is a need to understand the cultural influences that impact upon how the construct should be conceived (Imrie et al. 2002).

The selection of cultural standards in which to frame model and construct development is well established in the marketing literature (Sin, Cheung, & Lee, 1999; de Mooij, 2004). For this study, three standards were selected to provide this framework; these are: individualism/collectivism, personal value types, and the World Values Surveys. Table 2.2 provides a partial list of the major academic literature that has used these cultural frameworks.

Table 2.2 - Selected transition economy culture research

Representative studies	Transition economy	Cultural variables
Allik & Realo, (1996)	Estonia	Individualism/Collectivism
Elenkov (1997)	Russia	Individualism/Collectivism
Gelfand & Realo (1999)	Estonia	Individualism/Collectivism
Hofstede, (1991; 2001)	CEE, FSU, and China	Individualism/Collectivism
Inglehart (1990; 1997)	CEE, FSU, and China	World Values Surveys
Kaplan (1999)	General	Country
Reykowski (1994)	Poland	Individualism/Collectivism
Schwartz & Bardi, (1997; 2001)	CEE and FSU	Value types
Schwartz, Bardi, & Bianchi, (2000)	CEE and FSU	Value types
Steenkamp (2001)	General	Country

2.2.3.1 – Individualism/Collectivism

The first cultural standard is that of individualism/collectivism. The essence of the individualism/collectivism dichotomy is how to classify individuals, and groups, as to how they fit within their environment (McCusker & Gelfand, 1997). In brief, the literature states that within an individualistic culture, the individual views themselves in autonomous terms, and is more concerned with their own actions, and that of their immediate family (Adler, 2002). In contrast, a collectivist culture is focused on associative involvement, and how a person has membership in a group that is distinguished from other groups (Schwartz, 1994). In a collectivist society, the individual is expected to look after the interest of the group, ahead of the individual (Earley & Gibson, 1998).

A large body of research has applied this form of analysis based on the seminal work of Hofstede (1980), who published quantitative measures of individualism/collectivism, based on a multi-nation study of employees' work values. Although Hofstede (2001) found five dimensions of culture that could be used to compare countries (Power Distance, Uncertainty Avoidance, Individualism/Collectivism, Masculinity/Femininity, Long Term/Short Term Orientation) the individualism/collectivism dimension has arguably had the strongest influence on cross cultural research (see Alden, Hoyer, & Lee, 1993; Lynn, Zinkhan, & Harris, 1993; Fernandez, Carlson, Stepina, & Nicholson, 1997). Examples of individualism/collectivism research in transition economies include a study by Elenkov (1997), who applied the Hofstede (1980) *individualism* scale in a study of Russian managers. As hypothesised, Elenkov found that scores on the individualism scale were very low, lending support to the Russian culture as being significantly more collectivist than individualist.

A contrasting view was presented by Reykowksi (1994), and the country of Poland. Reykowski (1994) explored how the growth of individualistic opinions and attitudes began to appear in Poland in the late 1980s, with the growth of the Solidarity movement and the lessening of Soviet influence (i.e. the early transition period). Within Poland, the support for collectivist views of income limitation, full employment, and support for the poor ("the society is responsible for the fate of individuals" pg. 282) began to drop. The implication of this finding would be that if *collectivist behaviour* of people in transition economies was largely shaped by the pre-transition, communist system, then the elimination of the system would result in a movement towards *individualist behaviour*. This position does have support in the literature linking economic development to a shift from collectivism to individualism (Sinha & Kao, 1988), but what the Reykowski (1994) study also found was that among large groups within Poland, after the initial euphoria of the new freedoms that were a result of the shift to a market economy, there was an interest in returning to the more collectivist concern with individual protection, as measured by affordable food and shelter that existed within the communist system.

Finally, a study directly related to this thesis was conducted by Realo, Allik, & Vadi, (1997), who developed and tested a scale instrument, to measure collectivist orientation in Estonia. They found the Estonian culture fell strongly within the collectivist realm as measured by the values of *obedience* (dutiful, meeting obligations), *politeness* (courtesy, good manners) and *humility* (modest, self-effacing). These three values had been previously shown to be significant attributes of collectivist culture (Triandis, 1993). The implication is collectivist cultural values need to be accounted for in transition economy research.

In brief, there is support that individualism/collectivism research can be used as a way of classifying cultures and countries. Thus, one manner in which to distinguish cultural variables between developed and transition economies is the application of the individualism/collectivism framework, as supported by the research literature. The direct implication of this literature is to question the reliability of using existing marketing models and measures developed in individualist countries, within collectivist countries.

2.2.3.2 – Value types

The second, and related, cultural standard literature is that of S.H. Schwartz and his colleagues in the field of individual and cultural values (Schwartz, 1992; Schwartz, 1994; Schwartz & Ros, 1995; Schwartz & Bardi, 1997; Schwartz, Bardi, & Bianchi, 2000; Schwartz & Bardi, 2001; Smith, Peterson & Schwartz, 2002). Values, in this realm, are defined as criteria people use to make evaluations and to determine behaviour (Homer & Kahle, 1988), which are shaped by personal, and social, experiences (Schwartz, 1992). Values research has a long history in the fields of psychology (Rokeach, 1973) and sociology (Williams, 1968), in both single (Markus & Kitayama, 1991; Triandis, 1995) and multiple cultures (Schwartz 1992; Schwartz & Bardi, 2001). The relevance of the Schwartz work to this research is their extensive study of values in transition economies (Schwartz 1992; Schwartz & Bardi, 1997; 2001; Schwartz, et al. 2000).

The research of Schwartz, although commending the depth and breadth of the earlier cultural research of Hofstede (1991), raised concerns that the Hofstede values data was developed by Western researchers. Schwartz questioned the ability of Western researchers to truly reflect, and thus develop, measurements for non-Western values. In order to address this potential limitation, Schwartz employed local researchers in the creation of his value measures, the result being the Schwartz Value Index (Schwartz, 1992, 1994; Schwartz & Bardi, 1997, 2001). The Schwartz Value Index is a series of 56 single value items, originally employed to empirically develop ten value types, which are labelled Power, Achievement, Hedonism, Stimulation, Self-direction, Universalism, Benevolence, Tradition, Conformity, and Security (see Appendix 2.1 for definitions). In subsequent research (Schwartz, 1994) the ten were collapsed into seven value types, namely Conservatism, Intellectual Autonomy, Affective Autonomy, Hierarchy, Egalitarianism, Harmony, and Mastery (see definitions in Table 2.3). Data has been collected, and classified, from 62 countries using the Schwartz Value Index (Schwartz & Bardi, 2001).

Of relevance to this study is Schwartz's study of values in transition economies. Schwartz and Bardi (1997) sought to find out if people in former planned economies (Eastern Europe and the former Soviet Union), differed in their values from their Western European counterparts, and if so, why. They looked at two perspectives, the first that values were altered based on the direct application of the central planning system, and secondly, indirectly in how individuals adapted to life within the constraints of system.

Table 2.3 - Definitions of value types and items used to index them

Value	Definition
Conservatism	Emphasis on the status quo, propriety, and restraint of actions or inclinations that might disrupt the solidarity to the group or the traditional order – *clean, devout, family security, forgiving, honouring parents and elders, moderate, national security, obedient, politeness, protecting public image, reciprocation of favours, respect for tradition, self-discipline, social order, wisdom.*
Intellectual Autonomy	Emphasis on promoting and protecting the independent ideas and rights of the individual to pursue his or her own intellectual directions – *creativity, curious, broad-minded.*
Affective Autonomy	Emphasis on promoting and protecting the individual's independent pursuit of affectively positive experience – *enjoying life, exciting life, pleasure, varied life.*
Hierarchy	Emphasis on the legitimacy of hierarchical allocation of fixed roles and of resources – *authority, humble, influential, social power, wealth.*
Egalitarianism	Emphasis on transcendence of selfish interests in favour of voluntary commitment to promote the welfare of others – *equality, freedom, helpful, honest, loyal, responsible, social justice, world of peace.*
Harmony	Emphasis on fitting harmoniously into the environment – *protecting the environment, unity with nature, world of beauty.*
Mastery	Emphasis on getting ahead through active self-assertion, through changing and mastering the natural and social environment – *ambitious, capable, choosing own goals, daring, independent, successful.*

Source: synthesised from Schwartz, (1994), Bardi & Schwartz, (1996), Schwartz & Bardi, (1997), and Schwartz, Bardi, & Bianchi, (2000).

Schwartz and Bardi (1997) empirically demonstrated that differences in value priorities existed between people in nine transition economies (Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Poland, Russia, Slovakia, Slovenia), and twelve developed economies (Belgium, Denmark, England, Finland, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland).

Schwartz and Bardi (1997) found that citizens in transition economies differed from their counterparts in developed economies by scoring higher in the values of *conservatism* (emphasis on the status quo, respect for tradition, obedience), and *hierarchy* (legitimacy of roles and resources). They scored lower in the value ratings of *egalitarianism* (equality, freedom, and social justice), *affective autonom*y (enjoying life, pleasure) and *intellectual autonomy* (creativity, curious, broad-minded) with no significant differences in *harmony* and *mastery* values. Subsequent research found that the greater the degree of adaptation to the communist system (i.e. Soviet Republics vs. countries of Central Europe) the more heightened the value differences in comparison to the West (Schwartz, et al. 2000). In order to account for the values differences between people in Eastern and Western Europe, Schwartz and Bardi (1997) examined the influence of the political system on the shaping of values. The authors sought to find out how people in former planned economies altered their values based on both the direct application of the central planning (communist) system, and indirectly in how individuals adapted to living within the system. The authors demonstrated that individual values adapted to fit within the economic and political environment in which they lived, and even if the political and economic environment changed, there would be a time lag before values changed (Howard, 2002).

The implication of their findings is that the Communist system left a lasting legacy in terms of individual and group behaviour that did not simply disappear with the change in political system (Sunic, 1994; Van Deth & Scarbrough, 1995). The adoption of new personal values may have taken hold, but existing values did not suddenly vanish (i.e. temporal value systems based on the political/social system). In their later work, Schwartz et al. (2000) acknowledged that values changed over time, but that years under a suppressive communist system affected some personal values in a more permanent fashion.

To explain why permanent changes in values may have occurred, the authors collected new samples of data in Eastern Europe and Western Europe. Their findings indicated little support that value priorities were converging, and furthermore, that the value priorities of one Eastern European country differed little from another Eastern European country. Schwartz et al. (2000) attributed the lack of change in values to two main types of influences imposed on people in Eastern Europe. The influences were the direct indoctrination and the indirect indoctrination into the communist system. Direct indoctrination, in its purest form, involved a complete inculcation of citizens to the Soviet system in all activities of life (Czinkota, 1997; Stokes, 2000). Although there is little support that direct-indoctrination took hold to any great degree in areas under Soviet domination (Finifter, 1996), there is support that the second type of influence, indirect indoctrination or adaptation, did occur (Kaufman, 1997; Laar, 2002; Rutland, 2003).

The *success* of the indirect indoctrination resulted in a need for people to possess a set of attitudes and skills that allowed one to reasonably live within the political and social system. Schwartz et al. (2000) saw this behaviour as analogous to how long-term prisoners adapted to life in jail in order to survive (Aron, 2002). Within the literature there is support that direct indoctrination had little success beyond the *Russo* states of Russia, Belarus, and Ukraine (Service, 2002), but that adaptation to life circumstances occurred within Central and Eastern Europe and the USSR did occur (Tannberg et al. 2002). Schwartz et al. (2000) found that people would be very skilful at keeping a *low profile* in their everyday life during the Soviet period. This was accomplished by not taking risks, not making suggestions, not making criticisms and making little attempt at questioning of superiors (Kohak, 1992).

To conclude, the relevance of the value type literature to this study is two-fold. Firstly, the literature supports the existence of non-trivial differences between transition economies, and those in the West, in the values of *conservatism*, *intellectual autonomy*, *affective autonomy*, *hierarchy*, and *egalitarianism*. Secondly, the Schwartz and Bardi (1997) findings placed Estonia within the cluster of transition economy countries. It is suggested that Estonian values may be more representative of a median transition economy, and therefore empirical studies using Estonia as the country variable may result in more generalisable findings than studies based on Central European (Czech Republic, Hungary, Poland, Slovakia and Slovenia) or Eastern and former Soviet countries (Ukraine, Georgia, Belarus) (Schwartz & Bardi, 1997; Schwartz et al. 2000).

2.2.3.3 – World Values Surveys

The third stream of research selected that has studied cultural differences between transition and developed economies, is the World Values Surveys (Inglehart, 1997; Inglehart & Baker, 2000; Inglehart, 2000). The World Values Surveys is an ongoing survey project of worldwide researchers who study socio-cultural and political change, basic values, and beliefs, of the public in more than 65 societies (Inglehart 1997). The data in the surveys is focused on identifying and classifying individual and national level values by asking subjects questions about politics, religion, economics, social issues, family, gender, and others. This classification process attributes cultural differences based on different levels of economic development (Triandis, 1990; Inglehart, 1991). Table 2.4 highlights the two dimensions and scale items used to map cultural variations.

Table 2.4 – World Values Surveys - Two dimensions of cross-cultural variation

Traditional vs. Secular-Rational Values	*Survival vs. Self-Expression Values*
- God is very important in respondent's life	- Respondent gives priority to economic and physical security over self-expression and quality-of-life
- It is more important for a child to learn obedience and religious faith than independence and determination	- Respondent describes self as not very happy
- Abortion is never justifiable	- Respondent has not signed and would not sign a petition
- Respondent has strong sense of national pride	- Homosexuality is never justifiable
- Respondent favours more respect for authority	- You have to be very careful about trusting people
(Secular-rational values emphasize the opposite)	*(Self-expression values emphasize the opposite)*

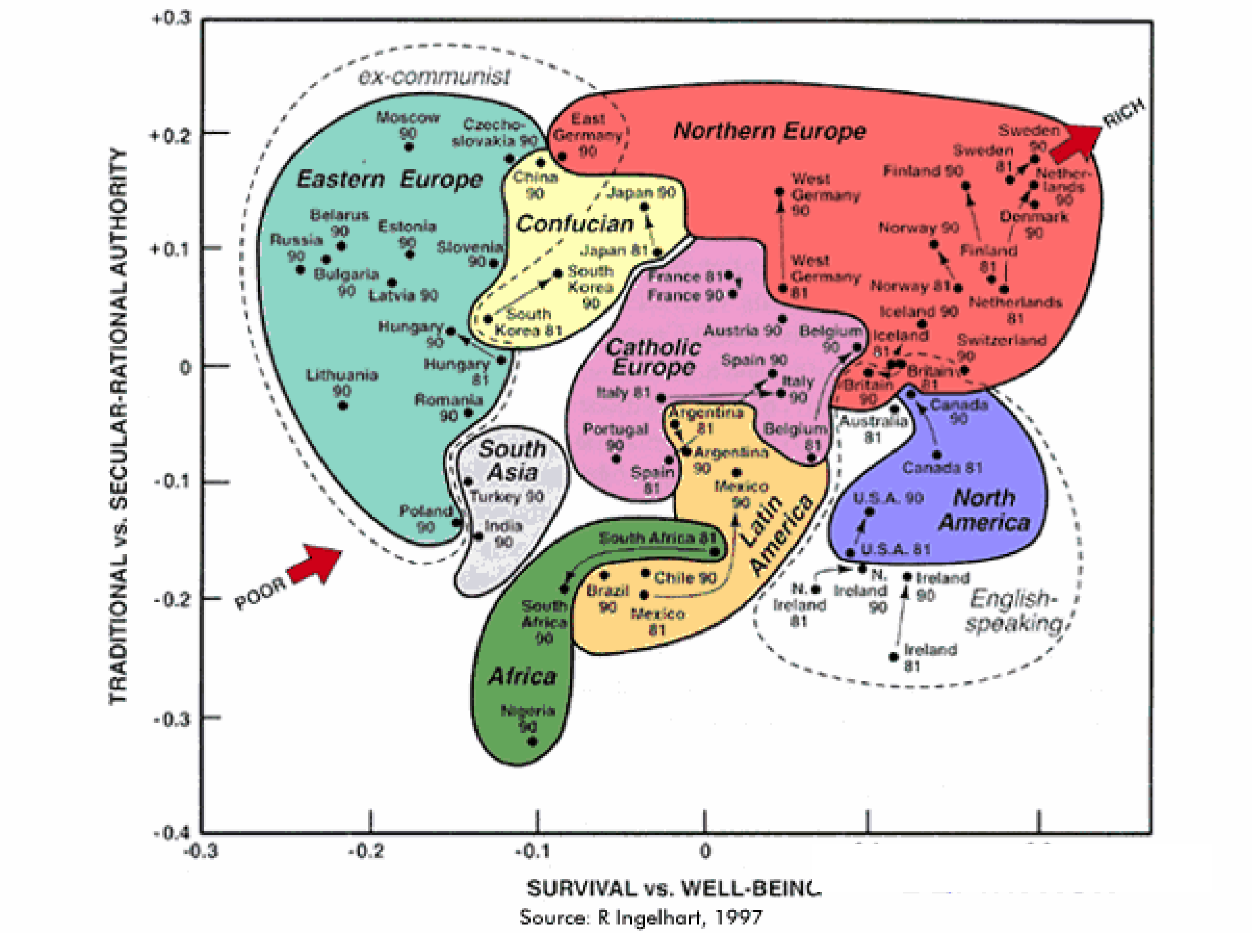
Source: Inglehart & Baker, 2000

The World Values Survey provides cross-level linkages of individual behaviour, grouped by countries. The contribution of the research results from a greater understanding of mass belief systems which allows for increased understanding of the significance of economic, political, and social change variables on the phenomena of interest. The major difference in perspective between this and the previous two cultural classification standards is the World Values Surveys places an increased focus on the consequences and relationships between values and economic and political change as an empirical activity, and not as something that can be determined a priori (Inglehart, 1997).

The theoretical support Inglehart (1977) provided for the use of World Value Survey data is based in the field of inter-generational value change research. This theory views personal values as being shaped by experiences from one's younger age, which then have an effect on one's value system in the future. As stated by Inglehart (1977; 1990), a long-term shift in prevailing values will occur as the young replace the old, and assumes that value change in highly industrialised Western societies is a natural consequence of increased socio-economic success. Inglehart (1997) argues that increased economic prosperity leads to improved basic needs fulfillment, and therefore the importance of materialist values will lessen from generation to generation. The World Values Survey data has been used for comparative research in a number of studies. Examples include the role of civil society (Howard, 2002), individual welfare (Smith, 2003), and the central role of work in an individual's life (Parboteeah & Cullen, 2003). The compiled data, by country, is mapped in two dimensions based on the cultural values of individual countries (see Figure 2.1)

With respect to this study, the contribution of the World Value Surveys findings is that it suggests a change in socio-economic environment does not lead to an immediate adjustment in personal value priorities. As posited by Inglehart (2000), simply moving from a communist to a democratic society does not lead to an adoption of cultural traits more synonymous with democratic or developed economies, but rather that economic growth allows for social and cultural change to occur (Inglehart & Baker, 2000). The thesis of the Inglehart literature is that economic development leads to the shaping of personal values and beliefs, and that "rich societies differ markedly from those of poor societies" (see Inglehart & Baker, 2000, pg. 50).

Figure 2.1 – World values survey map



As can be seen in Figure 2.1, Estonia (as well as many of the countries referred to as transitional economies) is more aligned with *Secular-Rational* and *Survival* values, in comparison to developed economies. The relevance of the World Values Surveys findings is interpreted in two ways. The first contention is that the mapping of the World Values data by country further supports the position that developed and transition economies differ. There are differences in economic development, but also some similarities in terms of cultural values that align along the secular-rational dimensions (i.e. views on suicide, respect for parents, Inglehart, 1997). The second inference is that even if there may be a predictable component in how transition economy values change, there is little support that the change must be towards Western values (Inglehart & Baker, 2000). As in the first two cultural standards, the findings of the World Values Surveys can be used to support the questioning of the application of existing Western developed economy marketing models and measurement instruments, within transition economies such as Estonia (Leone & Schultz, 1980; Albaum & Peterson, 1984).

2.2.3.4 – Summary

In summary, the intimation of using cultural research in this study is three-fold. The first implication is that cultural differences between developed and transition economy countries exist, and that the literature supports this beyond merely an individual, country-by-country, comparison (i.e. cultural similarities amongst transition economy countries). The second implication is that even if changes in cultural values occur over time, the change may be small and slow, even on a single-country-by-single-country basis. The third implication drawn from the literature is that within transition economies the political system itself changed from a planned to a market economy, but that alone did not result in a direct change in people's basic values. Therefore, a need exists to conduct marketing studies of specific countries/cultures to determine whether Western-based studies of the same marketing phenomena hold true. Finally, in order to develop valid and reliable marketing instruments for use in transition economies, there is the need to determine whether existing Western measures can be used, or if transition economy specific measures need to be developed.

2.2.4 – Conclusion

Transition economy research has emerged during the last two decades as a new lens for the examination of marketing and business phenomena. The relevance of this review is to suggest that the cited literature strongly indicates the existence of non-trivial differences between people, and therefore consumers, within transition versus developed economies. Although consensus is lacking as to the best way to attribute these differences (i.e. personal values, economic development), this review has identified three fields of study that strongly support the selection of culture as a unifying system of classification. The commonality of the three cultural standards lies in the cultural similarities between transition economies that can be attributed to shared experiences of living for an extended period of time within an often oppressive system that dominated political, economic, and social life (Strayer, 2001; Zezina, 2001). There is general agreement in the literature that some cultural traits withstood the communist period, while others were altered (Reykowski, 1998; Schwartz et al. 2000; Raun, 2001). There is also agreement that a gradation in transition economies exists, based on the degree to which the centrally planned system (communist) was successful at imposing foreign cultural traits (i.e. Russification within non-Russo states).

When taken as a whole, the transition economy literature highlights theoretical and empirical variables that must be accounted for in the development of transition economy research models and measures. Cultural traits such as *conservatism*, *deference to authority*, and *respect for tradition* must be incorporated in the development of measurement items if resultant scales are going to be relevant within these regions. Finally, the literature provides limited but sound support for the selection of Estonia as a transition economy in which to conduct marketing research. As a *mid* transition economy, in comparison to the countries of Central Europe, and the more Russified republics of the Ukraine and Belarus, there is the plausibility to generalise Estonian based findings as being indicative of wider transition economy characteristics.

2.3 - Service Quality

2.3.1 - Introduction

The second literature domain, service quality, is a subfield of research within the services marketing literature (Lovelock, 2001). The major focus within the literature has been on answering two questions. The first question is: what is service quality? (Grönroos, 1984; Parasuraman, et al. 1985; Reichheld & Sasser 1990; Brady & Cronin, 2001); and the second is how to measure it (Parasuraman, et al. 1988; Grönroos, 1988; Cronin & Taylor, 1992; Boulding, Kalra, Staelin, & Zeithaml, 1993). This section reviews the major service quality literature from these two perspectives. Additionally, in order to build upon the transition economy literature review in the previous section, the service quality literature incorporates a cross-cultural context in general, (Donthu & Yoo, 1998; Mattila, 1999; Liu, Furrer, & Sudharshan, 2001), and transition economy perspective specifically (Malhotra, Ulgado, Agarwal, & Baalbaki, 1994). The review begins with a brief historical background of service quality research.

The roots of the service quality research lie in the larger field of services marketing literature (Reeves & Bednar, 1994). The consensus differentiation between services and product marketing is that unlike products, services are: *intangible, heterogeneous, production and consumption are inseparable* and *perishable* (Haksever, Render, Russell, & Murdick, 2000).

These characteristics make service measures more difficult to define and empirically test in terms of objective, and quantifiable, indicators of quality (Arndt, 1967; Bass, 1969; Anderson, 1973).

A number of definitions of service quality have been endorsed and promoted over the years, with varied degrees of support (see review in Reeves & Bednar, 1994). A formal definition by the American National Standards Institute (ANSI) and the American Society for Quality (ASQ), states that quality in services is: “the totality of features and characteristics of a service that bears on its ability to satisfy given needs” (cited in Hakserver et al. 2000, pg. 331). A related definition by leading service quality researchers Parasuraman, Zeithaml, and Berry, define service quality as representing a global judgement about the delivery of a service (Parasuraman et al. 1985; 1988; Parasuraman, Berry, & Zeithaml, 1991).

Although unanimity in definition remains elusive, the general consensus in the marketing literature is that service quality must be considered from the consumer’s perspective (Cardozo, 1965; Fiegenbaum, 1982; Schembri & Sandberg, 2002). Consumers are the ones who ultimately evaluate the level of service delivered by a service provider (Grönroos, 1984; Zeithaml, Parasuraman, & Berry, 1990; Reeves & Bednar, 1994), and thus any definition of service quality should include an understanding of how well the actual service provided aligns with the customer's expectation of that service (Berry & Parasuraman, 1997). This cogent definition of service quality as meeting and/or exceeding customers’ expectations (Buzzell & Gale, 1987; Grönroos, 1990) can be complex, as it may be difficult for consumers to articulate their service expectations (Bowen & Schneider, 1988; Gutiérrez & Carmona, 1995). Furthermore, customers may communicate inconsistencies in what they view as indicators of *good* or *bad* service (Garvin, 1987). The strength of the definition lies in the focus on consumers' perceptions of the subjective factors of service quality as better capturing what consumers want, in comparison with standards set by service providers that may, or may not, be accurate (Takeuchi & Quelch, 1983; Reeves & Bednar, 1994).

In brief, the reason for adopting this definition of service quality is that it allows for the inclusion of service expectations of consumers from transition economies, service expectations that may not adhere to Western expectations of service, as discussed in the transition economy literature. The next section furthers this analysis by reviewing the second area of inquiry, service quality measurement.

2.3.2 – Measures of service quality

In contrast to the debate on how to define service quality, there has been greater accord as to the need to have some way of assessing the level of service quality delivered (Robinson, 1999). Much of the early service quality research (beginning in the late 1970s) followed the publishing (first in Europe and then North America) of the Scandinavian based research of Grönroos (1978; 1982; 1984), Lehtinen and Lehtinen (1982), and Gummesson (1977). Grönroos (1984) stated that the perception of quality is a function of both the expectations a consumer has about the service encounter (pre-encounter), and the confirmation or disconfirmation of those expectations once the service has been delivered (Grönroos, 1978; 1984). Grönroos referred to this model as the perceived service quality model (Grönroos, 1984).

The perceived service quality model had two dimensions: functional quality and technical quality (Grönroos, 1984). Functional quality is defined as the relationship between how the service process occurred (Walker, 1995), while technical quality is how well the service met the customer's expectations (Grönroos, 1984). The intent of the perceived service quality model was not as an operational model of service quality but as a theoretical construct, to account for the nature of the missing physical product within services (Grönroos, 1998). The perceived service quality model focused on understanding the service process as a solution to customer needs. The actual rating of the service quality process was to be accomplished by using customer satisfaction measures (Grönroos, 1998).

In contrast to, but not fully rejecting, the European school of service quality research was what became known as the *gap analysis* model (Parasuraman et al. 1985). The essence of the *gap analysis* model is that service quality can be derived by the size and direction of the gap between how a consumer perceives service to be and how the consumer expects the service performance to be (Parasuraman et al. 1985). The intent of the *gap analysis* model was to define a comprehensive set of service quality dimensions (Parasuraman et al. 1988).

Parasuraman et al. (1985) initially identified ten dimensions of service quality, namely *reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding and tangibles* (see Appendix 2.2 for definitions). Subsequent research resulted in a scale instrument of twenty-two paired questions (22 questions to measure service expectations and 22 questions to measure service perceptions) that through factor analysis collapsed into five dimensions of service quality (tangibles, assurance, reliability, responsiveness, and empathy).

The result was the well-known scale instrument SERVQUAL (for review see Buttle, 1996). The SERVQUAL dimensions are defined in Table 2.5.

Table 2.5– SERVQUAL dimensions

Assurance:	The knowledge and courtesy of employees and their ability to convey trust and confidence
Empathy:	The caring, individualised attention provided to customers
Reliability:	The ability to perform the promised service dependably and accurately
Responsiveness:	The willingness to help customers and provide prompt service
Tangibles:	The appearance of physical facilities, equipment, personnel, and communication materials

Source: Parasuraman et al. (1985, 1988, 1991)

A major theoretical contribution of the SERVQUAL research was service quality was to be defined as like an attitude, complementary but not equal to, customer satisfaction. Service quality could be estimated from the sum of the service quality dimensions (Parasuraman et al. 1988). The practical contribution of the SERVQUAL scale was that a measurement of operational service performance could be derived by calculating the difference between a consumer's expectations about the performance of a service provider (within a class of service) and the consumer's actual judgment of the service provided (Parasuraman et al. 1991).

The support for the SERVQUAL instrument was not universal, as evidenced by a parallel stream of literature that has questioned the reliability and validity of the SERVQUAL scale (Woodside, Frey, & Daly, 1989; Carman, 1990; Cronin & Taylor, 1992). As summarised by Van Dyke, Prybutok, and Kappelman (1999), the key concerns with SERVQUAL were (1) the use of *gap* (the gap between service expectations and service perceptions) scores (McAlexander, Kaldenburg, & Koenig, 1994; Cronin & Taylor, 1994; Hussey, 1999); (2) the ability of SERVQUAL findings to measure and predict service quality levels (Sureshchandar, Rajendran &

Anantharaman, 2002); (3) the lack of a precise definition of the *expectations* construct, (Teas, 1993; Boulding et al. 1993; Quester & Romaniuk, 1997); and (4) the stability of the SERVQUAL measures (Finn & Lamb, 1991; Lam & Woo, 1997; Llosa et al. 1998).

A number of these criticisms were explored in the research of Cronin and Taylor (1992; 1994), who challenged the validity of using gap scores, and the vagueness of service expectations questions. They empirically compared the SERVQUAL scale against a scale that used the same twenty-two SERVQUAL questions, but omitted the service expectations component. Their findings indicated that the SERVPERF scale (i.e. service performance measures) is not only a more efficient instrument (i.e. half as long), but is also theoretically superior to SERVQUAL, based on a comparison of structural models (Cronin & Taylor, 1992).

The SERVPERF scale has been shown to be more appropriate than expectations/performance gaps measures in terms of predicting behaviour or behavioural intentions, as the SERVPERF scale explains more of the variation in service quality than SERVQUAL (Kettinger & Lee, 1996; Van Dyke et al. 1999). The increased predictive power of performance-based measures, in comparison to performance gaps measures, avoids potential psychometric problems resulting from the use of difference scores (Brown et al. 1993; Smith, 1995; Edwards, 2001). By omitting the customer expectations items, it is suggested that SERVPERF is more appropriate in measuring service quality in service situations where consumers may have difficulty forming precise pre-consumption expectations (Mick & Fournier 1998; Zeithaml, Parasuraman, & Malhotra, 2002).

The SEVPERF scale could also be used for testing relationships between service quality and purchase intentions and consumer loyalty (Cronin & Taylor, 1992; 1994; Lovelock, 2001). Subsequent empirical studies that have compared the SERVQUAL and SERVPERF instruments also supported the Cronin & Taylor (1992) findings (see Dabholkar et al. 1996; Quester & Romaniuk, 1997; Brady, Cronin, & Brand, 2002).

Finally, the most relevant criticism of SERVQUAL (as well as SERVPERF) is the lack of universality of the five dimensions of service quality. The position of this study is that although continued support exists that a number of the scale measures of service quality developed and tested by the SERVQUAL instrument do extend across a number of service encounters (Dabholkar et al. 1996; Jevons & Pidgeon, 2001), the assertion that *tangibles*, *assurance*, *reliability*, *responsiveness*, and *empathy* are universal, is not tenable. This criticism is heightened when variables such as culture are added to the analysis (Winsted & Patterson, 1998; Imrie et al. 2002).

2.3.3 - Service quality in transition economies

Of the studies that have researched the service quality construct within an international setting, the vast majority have simply adapted existing service quality instruments and tested them within an international setting (Mehta et al. 2000; Zhao et al. 2002). In general, the concept of service quality would appear to extend to transition economies. Descriptive research studies of consumers in the transition economies of Lithuania (Clottey & Lennon, 2003), Poland (Merrilees & Serenty, 2000), Slovenia (Snoj & Mumel, 2002), Bulgaria (Marinov, Cox, Avlonitis, & Kouremenos, 1993), and Romania (Lascu et al. 1993), highlight the importance of service variables in a service encounter. The literature shows that transition economy customers view the quality of the service as one of the main factors that distinguish superior service providers from inferior ones (Hooley, 1993). What is lacking in the literature is an understanding of the theoretical structure of the service quality construct as it pertains to transition economies.

One study by Malhotra et al. (1994) tangentially addresses service quality measurement within transition economies, in their comparison of service quality in developed, and developing countries. They proposed that service quality should be contextualised in terms of differences in economic and social factors, and that empirical testing of these propositions should be made through cross-cultural research. Malhotra et al. (1994) noted that the *reliability* dimension was related to economic development, and that the relevance of this dimension in defining service quality could be questioned outside of developed markets.

The Malhotra et al. (1994) findings are of importance to this study as they support the need to incorporate the cultural dimensions of a country within the development of service quality dimensions. In brief, they hypothesised that differences in defining service quality between developed and developing countries would be better explained by measuring environmental factors such as economic development, culture, and technology. The limitation of their research would be the question of the applicability of *developing economy* measures extending to transition economy countries because, as noted, transition economies differ from developing economies in terms of political and social change variables (Batra, 1999).

One transition economy that has been studied in terms of service quality is that of Vietnam. Jevons and Pidgeon (2001) tested the validity of the Parasuraman et al. (1985) work and found that the *tangibles, reliability, competence, credibility*, and *security* dimensions (the authors tested the original ten factors of service quality proposed by Parasuraman et al. 1985) were supported, while *access, communication*, and *understanding the customer* were not. The implication of their findings was that some Western-based measures of service quality do extend to a transition economy. The limitation of their findings, with respect to this thesis, is that Vietnam has experienced little transition beyond limited economic reforms, and little in terms of social and political change (Painter, 2003). Furthermore, the questionable use of Vietnamese professionals enrolled in an Australian business program, as typical of the Vietnamese culture, was acknowledged by the authors themselves (Jevons & Pidgeon, 2001).

In brief, both theoretical and practical knowledge of the service quality construct within transition economies is limited but promising. Transition economy consumers do appear to align with the developed economy perspective that how a service is performed and delivered is an indicator of *good* and *bad* service (Mueller & Broderick, 1995). Furthermore, the research findings that some Western dimensions and concepts of service quality extend to transition economies, establishes a basis of commonality that allows for the theorising and development of transition economy-specific service quality models and measures. Although there are few published studies of the service quality construct within transition economies such as those by Chang et al. (1999), Jevons and Pidgeon, (2001), and Ellis et al. (2003), there is no known research that has used the procedures recommended in the marketing literature to develop and test theories of service quality (Deshpande, 1983; Peter & Olson, 1983) within the Former Soviet Union (FSU), and Central and Eastern Europe (CEE).

2.3.4 - Conclusion

In summary, the service quality construct continues to represent an important venue for marketing research. Inasmuch as research is needed to better define and measure the service quality construct within different service sectors, there is a need to extend the research of this construct beyond developed markets and across cultures. This is particularly pertinent to transition economies, as their service sectors develop and grow. The cited literature highlights the two major issues in service quality research: how it should be defined, and how to measure it. From a theoretical perspective, there is strong support that the measurement of service quality is best modeled as a multi-dimensional construct (Brady & Cronin, 2001), and that the dimensions are best identified using multiple scale items (Jacoby, 1978; Churchill, 1979). From a managerial standpoint, it is argued that being able to measure service quality is an important means of identifying service delivery and performance issues with respect to customer needs (Lovelock, 2001).

Although agreement has not been reached in the literature as to the best way to measure service quality (Czinkota & Ronkainen, 2002), this thesis adopts the position that it is reasonable to defend the use of a scale instrument as the best tool to operationalise the service quality construct (Parasuraman et al. 1985; 1988; Cronin & Taylor, 1992). Furthermore, a scale instrument that measures service performance (i.e. SERVPERF) is a more appropriate instrument, in comparison to a gap measurement instrument (i.e. SERVQUAL) for use in transition economies. This position is based on the relatively short period of experience with free market service situations within transition economies. It is reasonable to believe transition economy consumers would have more difficulty in forming the precise, pre-consumption, expectations required for using a gap measurement instrument (Mick & Fournier 1998; Zeithaml et al. 2002). Finally, a specific service industry is needed in order to empirically test conceptual theories and models of service quality (Parasuraman et al. 1988). The next section reviews the selection of the retail sector for this purpose.

2.4 - Retail Service Quality

2.4.1 - Introduction

As highlighted in the previous section, service quality has a rich and diverse body of literature in the field of marketing. In contrast to service quality within pure service encounters, (i.e. psychotherapy, Lovelock, 2001; hospital care, Carman, 1990; telephone help desks, Dean, 2002), retailing involves the combination of goods and service (Shostack, 1977; Kotler & Turner, 1998). The theoretical focus of the retail service quality research differs from service quality research, as it can be viewed at both the integrated level (Westbrook, 1981) and the attribute level (Oliver, 1981; Mazursky & Jacoby, 1985). At the integrated level, retail service quality research has examined customer experiences within the store (i.e. dealing with salespeople, ease of movement within the store), and merchandise related experiences (i.e. overall product quality, and product availability) (Westbrook, 1981). At the attribute level, the importance of the service process, such as how the store salespeople interact with the consumer (i.e. assistance in finding items, the checkout process, the returns process), and other customer-rated measures (i.e. store appearance, store location) have been studied (Rinne & Swinyard, 1995).

From a practitioner perspective, the interest in retail service quality research stems from a demonstrated link between the service quality construct and customer satisfaction and customer retention (Reichheld & Sasser, 1990; Sirohi et al. 1998; Zeithaml, 2000; Caruana, 2002), which have been shown to be two important operational measures of retail success (MacIntosh & Lockshin, 1997; Sivadas & Baker-Prewitt, 2000). Although retail environments have been used to empirically test service quality models (Carmen, 1990; Finn & Lamb, 1991; Zhao et al. 2002), limited literature exists on the development of theory-based factor structures of service quality in retailing (Dabholkar et al. 1996). In brief, the use of the retail sector as a unit of analysis in service quality research represents similar challenges to the theoretical and practical research challenges discussed in the service quality literature with an added complexity of the retail service and product mix.

2.4.2 – Measures of retail service quality

The measurement of the retail service quality construct has been a source of debate in the literature. This section discusses some of the findings of the literature in this field, beginning with the applicability of using generic service quality measurement instruments such as SERVQUAL (Parasuraman et al. 1985; 1988) to measure retail service quality (see Table 2.6). Although the Parasuraman et al. (1988) research did not include a pure retail sample in testing the SERVQUAL scale, they did suggest a number of ways in which the SERVQUAL instrument could be used by retailers to "better understand the service expectations and perceptions of consumers and, as a result, improve service" (Parasuraman et al. 1988, pg. 30).

Table 2.6 – Selected literature that has measured the retail service quality construct

Study	Country	Factor structure	Retail format
Carman (1980)	U.S.A.	Six factor	Tyre store
Westbrook (1981)	U.S.A.	Eight factor	Department store
Finn & Lamb (1991)	U.S.A.	Poor fit of SERVQUAL, no alternative give	Discount stores and department stores
Gagliano & Hathcote (1994)	U.S.A.	Four factor	Specialty clothing
Rinne & Swinyard (1995)	U.S.A.	Seven factor	Discount store
Dabholkar, Thorpe, & Rentz (1996)	U.S.A.	Five factor, second order	Department store
Hurley & Estelami (1998)	U.S.A.	Three factor	Convenience store
Mehta, Lalwani, & Han (2000)	Singapore	Five factor	Electronics store
Siu & Cheung (2001)	Hong Kong	Six factor	Department store
Kim & Jin (2001)	U.S.A and Korea	Three factor	Discount store
Zhao, Bai & Hui (2002)	China	Five factor	Department store
Ellis, Williams & Zuo (2003)	China	Four factor	Supermarket

One oft-cited study that tested the reliability and validity of the SERVQUAL scale within a pure retail setting (a tyre store) is by Carman (1990). He found mild support that the factor structure of the SERVQUAL instrument did extend to a retail setting, but that a number of individual items did not load on the expected factors, thus questioning construct validity (Churchill, 1979; Andrews, 1984). Carman (1990) suggests the use of the SERVQUAL instrument is questionable, as retailing has a greater number of visible indicators of quality (i.e. courtesy, politeness) that the SERVQUAL items did not incorporate. Additionally a subsequent study by Finn and Lamb (1991) could not replicate the SERVQUAL findings within a variety of retail settings. Their research intimated that one possible reason for the lack of fit of their retail data within the SERVQUAL factor structure is that there are different dimensions to service quality within a retail environment. Unfortunately no alternative solutions were presented.

The early retail service quality measurement literature highlights the limitation of using existing service quality models and scale instruments, particularly SERVQUAL. Although items from the SERVQUAL scale have been used in service quality in a retail setting (Dabholkar et al. 1996; Wong & Sohal, 2002; 2003), there is limited support that it should be used in measuring retail service quality, as it does not encompass the range of activities found within a retail setting. The suggestion made by Parasuraman et al. (1988) that the SERVQUAL instrument is applicable to a variety of service settings, does not seem to be tenable in the retail sector.

One key study, that promoted a shift from applying the SERVQUAL scale to the retailing sector, was that of Dabholkar et al. (1996). They developed a model of service quality specifically grounded in the retail sector. The result was a hierarchical model with a five factor solution (Physical Aspects, Reliability, Personal Interaction, Problem Solving and Policy) that suggests consumers evaluate retail service quality at an attribute level, and at an integrated level. The theoretical framework of the Dabholkar et al. (1996) research is exemplary in the development and validation of a scale for measuring retail service quality (henceforth, RSQS).

A search of the literature subsequent to the Dabholkar et al (1996) publication found four published studies that have tested the RSQS scale in other retail settings. The first by Mehta et al. (2000) evaluated the effectiveness of the RSQS, as well as the SERVPERF scale (Cronin & Taylor, 1992) using two retail samples: supermarkets and electronic goods stores in Singapore. Their research found the SERVPERF scale is better in the electronic goods example and RSQS in the supermarket example. They suggest the RSQS scale is better for retail environments where consumers focus more on the goods and less on the service, while the SERVPERF scale does the opposite. Based on these findings they developed a modified scale using items from both SERVPERF and RSQS that resulted in a five-factor model with factors being labelled as *service personnel, physical aspects, merchandise, confidence*, and *parking*.

The Mehta et al. (2000) study was commended for testing the external validity of the RSQS instrument, particularly within a retail environment in an international setting, but it has been questioned for the direct use of scale items developed within other countries and cultures (Kumar, 2000) without first determining the relevance of these items within the retail environment of study, in this case Singapore.

A second study, by Siu and Cheung (2001), tested the RSQS scale within another non-North American location, Hong Kong. The Siu and Cheung (2001) findings resulted in a six-factor structure of retail service quality, with factors being labelled as *personal interaction, policy, physical appearance, promises, problem solving* and *convenience.* Their contribution to the understanding of the research service quality construct was through the testing of the significance of Western measures of retail service quality within a non-Western environment. Siu and Cheung (2001) pre-tested the RSQS scale items to determine local relevance, thereby increasing the face validity of their findings. It is suggested that the findings of their research were limited due to the fact that even if the survey subjects were English speakers, the cultural differences between American and Hong Kong consumers could have a significant impact on the research findings (Hofstede, 2001). The authors appeared to acknowledge this limitation, but did not address the potential impact of culture on the scale measures.

Kim and Jin (2002) also tested the RSQS scale, in their case in the United States and South Korea. They initially found the best fitting model had a four-factor structure: *physical aspects, reliability, personal interaction,* and *problem solving*. In subsequent analysis, they collapsed the *personal interaction* and *problem solving* factors into one factor labelled *personal attention*. The *policy* factor had previously been eliminated, as all five policy items had low item-to-total correlations, which in terms of scale development, questions their inclusion (Churchill, 1979).

In addition to trying to validate the RSQS scale within another retail setting, the Kim and Jin (2002) study attempted to compare the perceptions of retail service quality in the United States and South Korea. They found that even though the same three dimensions of retail service quality applied to both countries, the service quality items loaded on different factors (i.e. the scale items did not measure the same dimensions in the same way). They surmised that the RSQS scale is not a reliable and valid measure for cross-cultural comparisons (Winsted, 1997; 1999).

The fourth study is by Ellis et al. (2003), who tested the RSQS scale in mainland China. In addition to extending retail service quality research to a transition economy, the relevance of their research to this study is their call for measurement instruments that explicitly incorporate national culture characteristics. They based this assertion on the tentative support they found for the RSQS scale, even with scale item modifications. Their model resulted in a four-factor structure (*physical aspects, personal interaction, reliability, and policy*). The authors themselves stated that the initial consideration in their study was to use a qualitative research approach in order to better develop cultural relevant measures, but this was rejected due to time and budgetary constraints.

The challenges in measuring retail service quality mirrored many of the same issues raised in measuring service quality. Thus, the theoretical framework of the Dabholkar et al. (1996) research is exemplary in the development and validation of a scale for measuring retail service quality, and their use of qualitative research methods in order to gain understanding into the dimensions of a marketing construct is strongly supported in the literature (Carson, Gilmore, Perry, & Gronhaug, 2001; Netemeyer, Bearden, & Sharma, 2003). Furthermore, the literature suggests that any theoretical model of retail service quality has potential cultural limitations (Svensson, 2001), and that no existing retail service quality measurement instrument is valid within all retail settings (Mehta et al. 2000; Siu & Cheung, 2001; Kim & Jin 2002; Ellis et al. 2003).

To conclude, the review of the literature has found varied support in terms of the number of and specific dimensions of the retail service quality construct. As supported by the literature, the position of this thesis is that retail service quality is best defined as a multi-dimensional construct (Brady & Cronin, 2001), and that the dimensions are best identified using multiple scale items (Jacoby, 1978; Churchill, 1979). Furthermore, of the relatively few studies that have tested the RSQS scale, none has reported results that support the hierarchical structure, as suggested by Dabholkar et al. (1996). It is suggested that consumers may not evaluate retail service quality beyond the two levels (overall and attribute) in the way in which they have modelled the factors, but possibly a hierarchical factor structure based on other factor variables may be appropriate

(Brady & Cronin, 2001). In brief, both the retail service quality construct and service quality construct share similar theoretical and practical underpinnings in terms of model and scale development; however the difference is that the measurement of service quality within a retail setting requires an additional set of measures not captured by generic or pure service scales.

2.4.2.1 – Retail service quality and shopping behaviour

In terms of the practical value of service quality research, previous studies have shown that service quality is a predictor of behavioural intentions (Woodside et al. 1989), and for retail practice this has been examined using measures such as future intentions to shop, and intentions to recommend the store to others (Dabholkar et al. 1996; Siu & Cheung, 2001). In the Dabholkar et al. (1996) study this linkage was measured in terms of the correlations of the retail service factors, and overall retail service with these two actions. Their findings were that at the factor and overall level predictive validity was strong.

Of the four retail studies reviewed above, only that of Siu and Cheung (2001) included future shopping intention findings. In contrast to the findings of Dabholkar et al., Siu and Cheung (2001) found weak relationships between their overall retail service quality for both intentions to re-purchase and intentions to recommend, but some support at the individual factor level. Although they did not test for it, their suggestion was that future shopping behaviour needed to also include additional shopping factors. This aligns with some of the earliest retailing studies that have shown a number of factors influence store choice (Hansen & Deutscher, 1977/78) including merchandise related factors such as selection, quality, and price (Lindquist, 1975;

Rinne & Swinyard, 1995). Therefore questions remain as to how retail service quality should be empirically tested in terms of shopping behaviour.

One relevant stream of literature does suggest that relationships and service are likely to influence trust, and thus retail service quality is a determinant of trust (see Merrilees & Fry, 2002). This reflects the Morgan and Hunt (1994) view that trust captures an attitude of the present that carries over to the future. Related literature has also demonstrated a link between brand attitude and loyalty (Delgado-Ballester & Munuera-Aleman, 2001; Low & Lamb, 2000; Selnes, 1993; Taylor & Hunter, 2003). Although the extension of such literature has not been tested in terms of shopping behaviour, it represents a venue to measure the significance and predictive validity of retail service quality on future shopping intentions.

2.4.3 - Retail service quality in transition economies

As noted, the literature that has measured the retail service quality is limited, and within the field of transition economy, beyond the study cited in the previous section (Ellis et al. 2003), only one additional published study was found. Zhao et al. (2002), attempted to validate the SERVQUAL instrument using department stores in mainland China as their sample, and they found that the five dimensions of SERVQUAL were not supported. Prior to testing the instrument they conducted focus groups with Chinese consumers and service providers, and although they found general support for the five concepts of service quality contained in SERVQUAL, quantitative testing did not confirm this.

Thus, based on the findings of the Zhao et al. (2002) and the Ellis et al. (2003) research, the validity of using service quality instruments within a transition economy to measure retail service quality is not justifiable without extensive modifications to account for transition economy variables, particularly culture. As previously discussed, there is strong support in the literature that transition economies differ from developed economies along a number of cultural traits.

It is suggested that one of the strengths of the Dabholkar et al. (1996) research is that in addition to using the service quality literature to theorise the retail service quality construct, they conducted extensive qualitative research to better understand retail experiences and meaning from the consumers' perspective. This becomes critical in transition economy research, as one of the premises of the retail service quality studies cited is that there is an assumption that consumers have an ability to reasonably evaluate retail service experiences, and make judgements as to how that service was provided, based on the scale measures tested. It is reasonable to assume that consumers in transition economies may share some of the same experiences as consumers from the West, particularly after the end of the communist period. However, if it can be demonstrated that the retail service experiences of consumers in transition economies, differ significantly from those of consumers in developed markets, then the use of Western-based items to measure these experiences is questionable. Thus, not accounting for the retail experiences by consumers prior to transition, limits the validity of such a measurement scale.

2.4.4 - Conclusion

In summary, there have been a limited, but growing, number of studies that have studied the construct of service quality within a retail setting. Based on the cited literature, a retail service experience involves a number of different indicators of service quality that are not present in non-retail service experiences (Dabholkar et al. 1996). The differences in indicators of service quality helps to explain the limited success in applying generic service quality measurement instruments such as SERVQUAL to measure retail service quality (Carman, 1990; Finn & Lamb, 1991). Similarly, the universality of the five factors of retail service quality being *physical aspects, reliability, personal interaction, problem solving and policy*, as was the case of the five factors of SERVQUAL, is not supported in the literature. Dabholkar et al. (1996) acknowledge that as retail practices change, the relevant scale items will change. For defining and measuring retail service quality in transition economies, or any society, it is suggested that culture-specific items need to be included. In order to provide more robust insights into the retail service quality construct, measurement instruments must explicitly incorporate transition economy characteristics.

To conclude, the lack of consensus for a five-factor structure of retail service quality is suggested to be more a result of the lack of external validity of the scale items rather than the theoretical support of retail service quality being best modeled using a multi-factor structure. The position of this thesis is that the retail service quality construct, and service quality construct, share similar theoretical and practical underpinnings in terms of model and scale development (Calder, Phillips, & Tybout, 1981; Parasuraman et al. 1985; 1988; Dabholkar et al. 1996), but the difference lies in the requirement for an additional set of measures not captured by generic or pure service, scales, to measure service quality within a retail setting.

Finally, there is strong support that retail service quality, from a theoretical perspective, is best modeled as a multi-dimensional construct (Brady & Cronin, 2001). The conceptualisation of the dimensions of retail service quality must be developed within the framework of the retail location, which in terms of transition economy research, involves the inclusion of culture-relevant non-Western variables. In order to improve the understanding of how consumers in transition economies interpret shopping experiences, the use of cross-cultural research techniques is required.

2.5 - Cross-cultural research principles

2.5.1 - Introduction

A major issue in marketing research is that of research methodology (Churchill, 1979). Marketing research must address both the how and why of the chosen marketing measures (Heeler & Ray, 1972). Furthermore, if they are to be used in theory development and testing (Peter, 1981), research findings must be valid. The two most dominant criteria that determine the choice of research measurement techniques are validity and reliability. Validity, or the extent to which a measurement scale actually measures what it intends to (Davis, 2000), and reliability, the level of consistency and stability of the scores found in the measurement scale data, are at the core of marketing (and all social science) research.

In this section, the reviewed literature concentrates on the additional challenges that must be accounted for in conducting cross-cultural research, in comparison to domestic research (Nasif, Al-Daea, Ebrahimi, & Thibodeaux, 1991). The specific focus of the literature is on conducting research within transition economies. Through a review of the issues and concerns that have been raised in conducting cross-cultural research, the intent is to demonstrate that adherence to sound research principles will lessen charges that cross-cultural research finding can be questioned from both a validity, and a reliability, perspective (Sekaran, 1983).

2.5.2 – Emic versus etic research

A review of the history of cross-cultural research highlights the increased challenges researchers face when attempting to make comparative studies between two or more cultures (Yaprak, 2003). One of the challenges comes from defining the perspective of cross-cultural research (Kotabe, 2003). Triandis, Malpass, and Davidson (1973) noted there are two positions for this question. The first is that cross-cultural research should be interested in uncovering cross-cultural similarities, in order to increase the reliability of existing theories and measurement tools (etic). The second position is that cross-cultural research should focus on the validity of research theories and measurement tools through a greater understanding of the phenomena of interest (emic). Each of these two research aims has their support and criticism in the literature.

An e*mic* approach examines behaviour within a single culture. There is a requirement to understand and interpret research phenomena as interpreted by locals within a particular setting (Yaprak, 2003). The characteristics of the culture of interest form the basis of the theory, measurement, and analysis, and therefore generalisability across cultures of the findings

(Schaffer & Riordan, 2003). Emic studies are classified as cross-cultural when they take into account other cultures, and use constructs or measurement scales that have been developed in one culture and adapted for use within another (Douglas & Craig, 1983; Schaffer & Riordan, 2003).

In contrast, an *etic* approach conducts comparative analysis between two or more cultures, and is the most common approach in the cross-cultural literature (Schaffer & Riordan, 2003). The main assumption with this research approach is that shared frames of references exist across different cultures. Thus, constructs and measurements would be applied similarly to all cultures in order to develop more generalisable research (Schaffer & Riordan, 2003).

In brief, a potential pitfall in taking an *etic* approach is that the findings of cross-cultural comparisons, without fully taking into account the relevant culture-specific variables, may be erroneous (Cavusgil & Das, 1997). This *pseudo-etic* (Sekaran, 1983; Berry, 1990) approach occurs when measures assumed to be *etic* are applied in areas where *emic* measures would be more relevant (Schaffer & Riordan, 2003). In a study by Fletcher and Fang (2006), concerns with the *etic* approach in studies in emerging markets were raised as earlier research supporting this approach (Hofstede, 1991) preceded the growth of rising globalisation and the rapid spread of information from sources such as the internet. Fletecher and Fang (2006) suggest that an *emic* approach would better measure the drivers of the culture, from each culture itself. This is of particular importance in improving the understanding of culture, and therefore a greater understanding of behavioural issues. In contrast, the imposition of an *etic* approach can be troubling as it may influence future researchers to use existing comparative findings as the basis for cross-culture research between developed and transition economies (Schaffer & Riordan, 2003; Ongel & Smith, 1994).

2.5.3 – Research methodology

Once a determination has been made to conduct cross-culture research from either an emic or an etic (or combined) perspective, a number of additional research issues need to be addressed (Sin et al. 1999). Three of these challenges are (1) Functional equivalence; (2) Sampling design; (3) Data-collection and analysis (Sekaran, 1983; Mullen, 1995; Cavusgil & Das, 1997; Schaffer & Riordan, 2003; Yaprak, 2003). Each of these is discussed in the context of this study.

Functional equivalence is defined as seeking commonality or differences in phenomena in two or more variables (generally countries or cultures), and mirrors many of the emic/etic discussions (Sekaran, 1983). As noted by Barksdale and McTier-Anderson (1982), a challenge in establishing functional equivalence is in determining whether the similarities/differences in observed behaviour are real. If differences in reliability or statistical measures are found when using previously developed research instruments/scales, Sin et al. (1999) ask to what degree such differences can be attributed to dissimilarity in culture, or a lack of functional equivalence. Existing research models and measures may be inapplicable to other cultures unless cross-cultural psychometric properties of the measures, such as the dimensionality of scales and reliability, are demonstrated to exist (Douglas & Craig, 1983; Hui & Triandis, 1985). A lack of functional equivalence may explain the limited external validity of the American-developed SERVQUAL instrument (Parasuraman et al. 1988) and retail service quality scale (Dabholkar et al. 1996) within countries with different cultures to that of the United States (Zhao et al. 2002; Ellis et al. 2003).

The second methodological issue is sampling. The selection of a sampling method is dependent on both theoretical and practical issues, and can be based on the objectives, time frame, and budget, of the research (Hair, Babin, Money, & Samuel, 2003). The selection process is shaped by the relevance of the sampling method to the question being asked (Roberts, 1970). Sampling issues can be a critical challenge in cross-cultural research (Nasif et al. 1991) as collection of data in different countries and cultures is more difficult due to cost, time, and the lack of available research collaborators (Inglehart, 1997).

A second sampling issue is the use of probability and/or non-probability samples. Generally, probability (or random) samples are recommended in order to statistically project research findings beyond the sample taken (Schreier, 1963; Zikmund, 2003). However, within the cross-cultural literature, the selection of research subjects has often been a result of availability versus theoretical considerations (Adler, 1983).

In a non-probability sample the randomness of selection is removed, but this is done in order to increase the relevance of the research findings (Hair et al. 2003). Research using non-probability samples is common in the cross-cultural literature (Newell & Reilly, 1996; Coulter, Feick, & Price, 2002), but disclosure of the limitations of research findings must be acknowledged (Brislin & Baumgarnder, 1971). Within cross-cultural research, there is a defensible position that only those who can reasonably be expected to have had experiences related to the field of inquiry be included in a sample (Craig & Douglas, 2000). Therefore, less reliance on student samples, and more on actual consumer samples, is recommended if a non-probability sample is used in marketing research (Sin et al. 1999). This position is further enhanced when investigating experiences within an environment theorised to be significantly different from existing studies (Segall, Campbell, & Herskovits, 1966). Although non-probability samples have limitations, their use in cross-cultural research is supported within the literature (Craig & Douglas, 2000). A key recommendation when using a non-probability sample is that the sample be described in as much detail as possible, in order to allow the reader and other researchers to draw inferences as to other plausible conclusions than those presented (Brislin & Baumgarder, 1971).

The third cross-cultural research issue is research instrumentation and data collection. The importance of the development of scale items, questions and response categories increases when conducted in a language other than that of the researcher (Steenkamp & Baumgartner, 1998). The researcher must appreciate and be sensitive to cultural and language differences in this process (Sechrest, Fay, & Zaidi, 1972; Nevid & Sta. Maria 1999). The use of local administrators helps to overcome potential respondent bias when a non-resident administers the research instrument (Cavusgil & Das, 1997). When conducting research in a country/culture outside of one's own, there is a legitimate concern that in the search for cross-cultural measurement equivalence, the researcher may directly or indirectly exclude culture specific measures. These concerns are less in single culture or emic studies (Roberts, 1970).

Finally, the appropriateness of using survey questionnaires in cross-cultural research can differ in terms of the experiences respondents have had with measurement instruments and general testing procedures (Kumar, 2000). Beyond the well-researched challenges in the translation of research instruments (Whiting, 1968; Cavusgil & Das, 1997), increased considerations about the familiarity and comfort that subjects have with filling out surveys must be considered. Within developed economies, subjects would have a comfort level with test and survey formats that may not exist in transition economies (Lonner, 1990). The greater degree in variation in respondents' comfort levels and/or prior exposure to the testing formats can influence item responses, and may have implications for the interpretation of the results obtained (Craig & Douglas, 2001). These concerns are heightened when conducting research in transition economies, due to an increased hesitancy people have with participating in data-collecting activities, based on their historic suspicion of how information could be (or at least was), used (Kumar, 2000; Malhotra, Agarwal, & Peterson, 1996).

In brief, there are a number of methodological issues that need to be resolved when conducting research within a cross-cultural environment. Of central importance is a clear disclosure, and discussion of the research methodologies employed. It is suggested that a systematic research framework (Cavusgil & Das 1997) will improve cross-cultural research, and thus lead to greater consistency in the understanding of the strengths and limitations of reported findings. These concerns are relevant to all cross-cultural research, but there are additional research issues specific to transition economies. These are discussed in the next section.

2.5.4 – Cross-cultural research in transition economies

Although no published research studies that specifically addressed marketing research issues in transition economies were found, a number of studies have noted the additional challenges in conducting research in transition economies (Batra, 1999; Craig & Douglas, 2001). One challenge is the limited availability of reliable secondary marketing information for use in model and theory building (Kaynak, 1984; Åslund, 2002). The use of secondary data for both academic and practitioner research, in problem recognition, problem clarification and alternatives evaluation is common in marketing research in developed economies (Davis, 2000).

In developed markets, the use of secondary research and published statistics comes from the rigorous literature review process and dissemination of such data. This practice was not the norm in transition economies during the communist period (Mergos, Karadeloglou, & Stoforos, 1999; Easterly, 2001). Although communist governments collected vast amounts of data, one could not take published statistics, particularly economic data, at face value because of the lack of unhindered criticism and impartial review (Nedialkova, 2001).

The ability to collect and use primary data also presents challenges in transition economy research. In addition to an increased hesitancy by transition economy subjects to share relevant personal information (Randall, 2001), there is limited technological infrastructure for the collection and analysis of the data. These technology limitations can hinder both the research design process and data collection (Craig & Douglas, 2001).

In order to address these challenges the literature suggests utilising the service of local researchers (Craig & Douglas, 2001). Beyond language expertise, local researchers can provide input into the relevance of research questions, as well as providing insight into the design of a research instrument (Kumar, 2000). As noted, the lack of success in applying existing marketing models within transition economies may be enhanced if local researchers assist in the pre-testing and pilot stages of scale development. Furthermore, local researchers may be better able to advise on proposed sampling and data collection issues (Craig & Douglas, 2001).

Finally, given the challenges of using Western developed marketing tools and research techniques in transition economies, it is suggested that the development of marketing theory can be improved through an increased used of qualitative research methods. In comparison to quantitative techniques, the less structured nature of qualitative research techniques can be used to better capture how transition economy consumers understand, and interpret, marketing-related variables (Craig & Douglas, 2001).

2.5.5 – Conclusion

The focus of the fourth domain of literature differs from the first three. While the review of the transition economy, service quality and retail service quality literature is to provide the research domain for this study, the aim of cross-cultural research literature review is to highlight the research techniques that need to be employed in conducting a research study in a transition economy such as Estonia.

Consistent with calls for more marketing research in transition economies (Springer & Czinkota, 1999), the goal of this study is to produce an instrument that has meaning and relevance to consumers in the transition economy of Estonia, in describing and explaining the retail service quality construct, and by extension shopping behaviour. Thus, this study takes an *emic* perspective. Even though an *emic* perspective of retail service quality may limit the comparison of research findings beyond Estonia, as previously discussed, there are demonstrated *etic* or cross-cultural similarities between cultures within the sphere of transition economies, and thus lend support that the research findings can be relevant beyond Estonia (Inglehart, 1997; Schwartz & Bardi, 1997). To test the external validity of this study is to assume etic qualities about the measurement within cultural settings that could be considered somewhat similar. However, as discussed, similarity, in this instance, is defined by the characteristic of a country/region as a transition economy.

In brief, to successfully conduct research in transition economies requires both understanding, and sensitivity to the differences within the current and historical marketing environment. Constructs, or definitions, used in one context are not necessarily appropriate in another (Parameswaran & Yaprak, 1987) because research instruments, data collection or sampling procedures may incorporate bias, requiring reformulation or adaptation to ensure meaningful results (Craig & Douglas, 2000). The aforementioned differences in culture, service experiences, and retail experiences, question the degree of relevance of existing Western developed theoretical models and measures (Ellis et al. 2003). In order to acquire the needed insight into how consumers in Estonia interpret and evaluate these experiences, solid principles of cross-cultural research must be followed.

2.6 - Summary of literature reviewed

This literature review is a non-exhaustive summary of the relevant literature within the three research domains of transition economy research, service quality, and retail service quality. The cross-cultural literature provides the background for the appropriate research techniques for conducting this study. Taken as a whole, the four fields of literature provide a unifying structure for addressing the research question: "*How do consumers perceive retail service quality in transition economies?*"

Firstly, as reviewed, the extant literature using transition economies as the region of study has examined a number of research variables. Much of the early literature focused on the process of transition from the centrally-planned economic systems, with respect to ownership structures, motivations and economic variables (Filatotchev, Buck, & Wright, 1992; Hughes & Hare, 1992; Frydman et al. 1999; Gros & Suhrcke, 2000; Kornai, 2000), while marketing services research has received limited attention (Nicholls, 1992; Batra, 1999; Merrilees et al. 2001).

Secondly, the literature has shown strong support for personal value differences between developed and transition economies (Schwartz & Bardi, 1997; Inglehart, 1997). Although there are diverse views as to the significance of these differences, their existence questions the reliability of extending existing marketing models and theoretical frameworks to transition economies. The transition economy cultural literature demonstrates support that personal values such as conservatism, intellectual autonomy, affective autonomy, hierarchy, collectivism, and egalitarianism differ between people in transition and in developed economies. The position of this thesis is that these differences are relevant to how service quality measures should be conceptualised, if the measures are going to capture the understanding of these concepts from the transition economy consumer perspective.

Thirdly, the service quality literature provides a solid body of knowledge about the relevant theoretical models and measurement instruments that have been used to empirically test relationships between the key components and factors of the construct (Parasuraman et al. 1985; 1988; Parasuraman et al. 1991; Cronin & Taylor, 1992; 1994). There is less support in using existing models and instruments to define and measure service quality in a transition economy (Jevons & Pidgeon, 2001), as the limited external validity of existing service quality measurement scales is the result of a lack of inclusion of scale items that best operationalise the construct from a transition economy perspective. Furthermore, with respect to the modelling and measurement of the retail service quality construct, support in the literature demonstrates that using generic service quality theory and scale instruments can result in erroneous findings. The added complexity of a retail service encounter requires models and measures that specifically account for the presence of both goods and services in a retail shopping experience. Furthermore, based on similar reasoning that existing models and measures of the service quality construct do not fully extend to transition economies, this equally applies in the conceptualisation of the retail service quality construct.

Finally, the retail sectors in countries of the former Soviet Union, and Central and Eastern Europe have grown rapidly since the end of the communist period (Kein & Tali, 1995; Statistical Office of Estonia, 2003). The findings of this study will be of benefit to both domestic and international retailers, through an increased understanding of the theoretical underpinnings of the retail service quality construct, and how retail service quality should be measured (Robinson, 1999).

2.7 - Gaps in the literature

A thorough review of the relevant literature has highlighted research into the development and testing of an empirical or conceptual model of the retail service quality construct within a transition economy. Furthermore, the relevance of an increased understanding of the service quality construct in general and the retail service quality construct specifically, in advancing the empirical and conceptual nature of the construct is also lacking. This literature review has underlined three gaps in knowledge that will be addressed by this study.

The first gap is in the operationalisation of the retail service quality construct. There is a lack of unanimity in both the service quality and retail service quality literature as to how the construct should be conceptualised and measured. Firstly, there is mixed support within the retail service quality literature as to the number of dimensions that should be included in a retail service quality model (Cronin & Taylor, 1992; Gagliano & Hathcote, 1994; Dabholkar et al. 1996; Siu & Cheung, 2001). Secondly, there are questions as to which scale items best represent the theorised dimensions. Furthermore, the literature has questioned the validity of established models of service quality extending to the retail sector. Finally, the testing of retail service quality models has had poor success when empirically tested in other cultures (Kim & Jin, 2002; Ellis et al. 2003), and there are no known examples of this type of research in a transition economy such as Estonia.

The second identified gap in the literature is in the understanding of the role played by cultural characteristics in how consumers in transition economies interpret and understand the retail service quality concept. The cited literature strongly supports the position that cultural differences exist between people in developed and transition economies, but it remains unclear as to the extent these differences have on how the retail service quality construct should be conceptualised, and empirically tested.

The final research gap is drawn from a linking of the first two gaps. The managerial relevance of providing a high level of service quality within a retail setting is strongly supported in the retail literature (Dick & Basu, 1994; Oliver, 1999), and the literature has demonstrated that customer loyalty is a strong metric to judge the level of consumer shopping behaviour and thus retailer success (Sirohi et al. 1998; Ruyter, Wetzels, & Bloemer, 1998). Although the inclusion of service quality-related measures within customer store loyalty conceptualisations and measures is supported (Cronin & Taylor, 1992; Boulding, et al. 1993; Dick & Basu, 1994; Dabholkar et al. 1996), what is less clear is how the retail service quality construct is linked to customer store loyalty and/or attitude to the store brand within a transition economy.

2.8 - Conclusions

This chapter has presented a review of the extant literature that advocates the three related literatures of transition economies, service quality and retail service quality as best providing the theoretical and practical basis for this study. The cited literature highlights the need to advance academic and practitioner knowledge through further research in these fields. The underlying theme of the chapter is that to further the understanding of how marketing phenomena such as retail service quality extend beyond Western arenas, research must develop conceptual and practical models and measures encompassing the cultural values in regions shown to be different.

Cross-cultural research methods provide the research techniques and tools with which to accomplish this task.

The constructs of service quality, and by extension research service quality, are mainstays in the marketing literature, as ways to better understand how consumers assess value. The result has been an extensive, although incomplete, body of published research literature over the past two decades. The focus of this study is to address identified gaps in knowledge as to the validity and reliability of measurement scales and theoretical models beyond the regions in which they were developed and tested.

Chapter 3

Conceptual model

3.1 - Introduction

The purpose of this chapter is to present a conceptual framework, and theoretical model, that will be empirically tested to address the knowledge gaps identified in the previous chapter. The development of the conceptual model is designed as a link between the research issues, and the research design and methodology, with respect to the main research question of consumer perceptions of retail service quality, in transition economies.

The chapter is divided into four parts. This section provides the introduction to the chapter and reviews how the conceptual framework will lead to answering the research question. Section 3.2 places the construct of retail service quality within the larger framework of retail shopping behaviour. Section 3.3 discusses how the conceptual model will be empirically tested, in order to answer the four research issues, and in turn, answer the research question. The chapter concludes with Section 3.4.

3.2 - Key constructs

Constructs are the focus of this research, as they are more general than variables, and thus allow for greater flexibility in determining the nature of the structure of the relationships (Ali & Birley, 1999). The retail service quality construct is the heart of this study, and one of the key constructs that has been applied in explaining retail shopping behaviour (Dodds, Monroe, & Grewal, 1991).

It is acknowledged that service quality is not the sole criterion for why a consumer shops at a particular store (Hansen & Deutscher, 1977/78). Merchandise selection and quality (Lindquist, 1975) store image (Burt & Carralero-Encinas, 2000) and merchandise price (Lichtenstein, Ridgway, & Netemeyer, 1993; Rinne & Swinyard, 1995) also represent retail shopping drivers, but service quality is judged to be the best determinant of the service aspects of retail shopping behaviour (i.e. the intangible, and heterogeneous aspects, versus the functional aspects, of shopping behaviour), as reflected by the consumers' attitude to the store brand (Selnes, 1993; Low & Lamb, 2000), and predictive measures of customer loyalty (Dabholkar et al. 1996). Therefore, in conceptualising a model of shopping behaviour in Estonia, each of these additional constructs needs to be defined.

Research as to the significance of these constructs within the retail literature has been examined previously (MacIntosh & Lockshin, 1997; Merrilees & Miller, 2001), but not within a transition economy. Thus, the constructs and their relationships within the model structure will help to further the understanding of consumer shopping behaviour in Estonia. In brief, the purpose of placing the retail service quality construct within the larger field of shopping behaviour is to provide an introduction to the development of a theoretical model, and to introduce the relational constructs. Each of the constructs is reviewed in turn, as well as how the proposed model will be empirically tested. The next section begins this process through a discussion of the focal construct of this study, retail service quality.

3.2.1 – Retail service quality

Retail service quality, as previously discussed, is defined within the wider context of the service quality literature. As noted, there is strong support for retail service quality being best modeled as a multi-dimensional construct (Brady & Cronin, 2001), but the universality of the five factors of retail service quality as identified by Dabholkar et al. (1996), being *physical aspects, reliability*, *personal interaction*, *problem solving* and *policy* is questioned (Gagliano & Hathcote 1994; Mehta et al. 2000; Sui & Cheung 2001; Kim & Jin 2002).

The first dimension, *physical aspects*, mirrors the Dabholkar et al. (1996) RSQS definition as a measure of the physical indicators of the retail experience. Items to define the dimension include the look, or aesthetics, of the store (i.e. the look of the merchandise displays; the store has a modern look about it). The *physical aspects* dimension also relates to the layout of the store (i.e. easy to find what you want; ease of shopping). Where this study advances the understanding of this dimension, is by including the ability, and capability, to find a product oneself. This was the norm for transition economy consumers during the communist period, due to chronic product shortages, and represented a sense of self-sufficiency in shopping (Mieczkowski, 1975; Kovrig, 1999).

The second proposed dimension is *personal interaction,* defined as the actions of the retail service personnel, and how they interact with store customers (Dabholkar et al. 1996). Indicators of personal interaction include knowledgeable, courteous salespeople, and the speed of service provided (Dabholkar et al. 1996; Siu & Cheung 2001). The importance placed on the attributes of polite, courteous, helpful, salespeople is expected to be more important in transition economies because with the movement to a market economy, and increased retail choice, the assigned role of the salesperson changed, and the expectation is that transition economy shoppers would believe they should now expect to receive greater respect from the salesperson than in the past. The salesperson in transition economies, based on the identified cultural orientation to hierarchical and conservative values (Schwartz & Bardi, 1997) would act from a position of power, which during the communist period readily aligned with the limited individual rights and freedoms, and adherence to figures in authority (i.e. sales people). Post-communism, the shift of power from the retailer to the customer has resulted in an increased sense of customer rights and expectations, such as being now treated with respect, which would be demonstrated by the overt actions of the salesperson by smiling, saying hello, or thank you (Fojt 1996; Schneider & Bowen 1999).

The secondary property of the personal interaction dimension, the speed or promptness with which the salespeople serve the customer (Dabholkar et al. 1996; Mehta et al. 2000), is also proposed to differ in transition economies. It is reasonable to expect that if consumers were questioned directly, they would prefer prompt versus slow service (Garfein 1988); however, there is reason to believe that for transition economy shoppers the speed of service would be supplanted by the ability to locate, and purchase, a product. It is suggested that any potential time-saving received from prompt service, would be countered by sacrificing one’s shopping self-sufficiency, in product search.

The third proposed factor of retail service quality is *problem solving*, or the manner in which store salespeople handle customer complaints, or the returning or exchanging of products

(Mersha & Adlakha 1992; Dabholkar et al. 1996; Mehta et al. 2000; Sui & Cheung 2001). For retailing in transition economies, it is proposed that shoppers would have a different perspective on how this dimension should be measured. The role of personal responsibility in making purchase decisions is viewed to be of greater importance to transition economy consumers (Brooks & Lerman, 1994; Fey & Denison, 2003). This position aligns with the hierarchy value (Schwartz & Bardi, 1997) in that the legitimacy of the store, as a retailer of goods, makes the store responsible for selling goods that perform as promised. Extending this premise would be that a store should not be expected to take back or exchange goods that were functional, but did not make the customer happy. The store should not be responsible for correcting a consumer's poor judgment.

A further indication of the problem-solving dimension is the ability of store salespeople to handle customer complaints in a direct and immediate fashion (Dabholkar et al. 1996). The relevance of this aspect of the dimension has been supported in the service recovery literature, that views a retailer's ability to make things right, as an important component of service quality (Hart, Heskett, & Sasser, 1990; Swanson & Kelley, 2001). Again, the identified differences in transition economy cultures, and consumer retail histories, suggests a somewhat different interpretation. The historic experiences consumers in transition economies have had with formalised rules and regulations in many aspects of their day to day life (Boym 1994; Hoag and Kasoff 1999) leads to the proposition that transition economy consumers would have expectations of a formalised complaint handling process, rather than the store being proactive in this role. The rationale for this position is that retailers do not need to be concerned with preventing retail practices that lead to service failures, as long as there is a formalised mechanism in place that sets and enforces the rules and regulations concerning product returns and exchanges, and the handling of complaints.

In brief, the three proposed dimensions of retail service quality reflect many of the same measurement agendas of existing retail service quality models. The highlighted differences are attributed to the cross-cultural differences in values between consumers in transition and developed economies, which were discussed in Chapter 2. The remainder of this section discusses the basis for excluding the two remaining dimensions of retail service quality included in the Dabholkar et al. (1996) RSQS model, *reliability* and *policy*.

Dabholkar et al. (1996) suggest the *reliability* dimension is similar to the SERVQUAL dimension of the same name, as the ability of a retailer to provide promised service, dependably, and accurately (Parasuraman et al. 1988). The inclusion of this dimension in a transition economy retail service quality model is questioned, based on the degree of importance transition consumers would place on having the retailer performing dependably and accurately. In their study of developed and developing countries, Malhotra et al. (1994), found the *reliability* dimension aligns more with environments with advanced technology, affluence, and competition, while service quality in developing markets should place more emphasis on the personnel components of service.

A second reason for rejecting the *reliability* dimension is the importance placed on consistently having a strong in-stock position (i.e. the store merchandise is available when customers want it – Dabholkar et al. 1996). For Western-based retailers, the ability to prevent stock-outs has been shown to have a direct relationship in how consumers view the quality of the store's service (Taylor & Fawcett, 2001); but for consumers within transition economies - consumers that have had a more intimate knowledge and experience of chronic product shortages (Mieczkowski, 1975; Kovrig, 1999) - it is projected that a positive in stock position would be less of a concern in evaluating the service quality construct, as long as some type of product is available (i.e. access to substitute products). Transition economy consumers' history and familiarity with product shortages may not fully explain why an out-of-stock position is not viewed as poor service quality, but the primacy of *conservative* values (Schwartz & Bardi, 1997) suggests that transition economy consumers may be more forgiving of those in authority. Instead of assigning direct blame to the retailer for the product outages because the store does not produce and deliver the products, the responsibility for the stock-outs can be attributed elsewhere (i.e. the supplier/manufacturer).

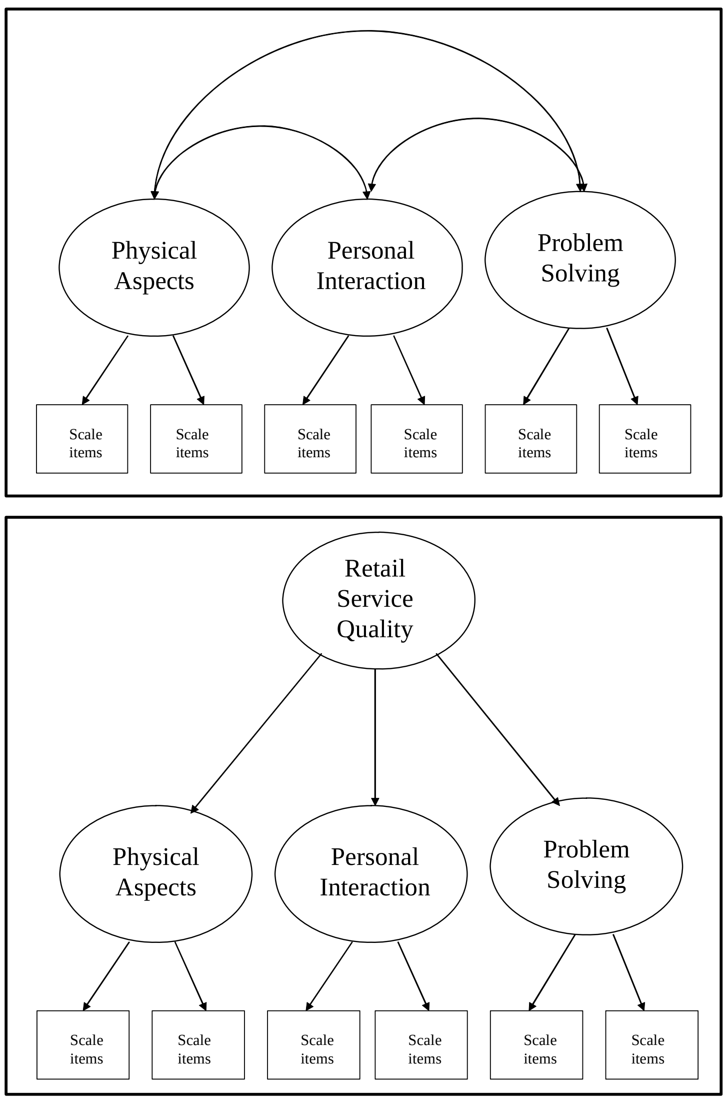
The final Dabholkar et al. (1996) dimension is *policy*. Policy items include the amount of available parking, the hours of store operation, the types and quality of merchandise carried, and other store-specific characteristics. The *policy* dimension is problematic, as it is sensitive to whichever variables are included in the factor. The suggestion is that consumers' perception of policy items falls outside the realm of service quality research. This view is based on the mixed nature of policy items as measures of service quality, product strategy, and service convenience (Wortzel, 1987; Blackwell & Talarzyk, 1983; Berry, Seiders, & Grewal, 2002). The position taken in this study is that retail store policies can influence store patronage (Rinne & Swinyard, 1995), but do not constitute a separate dimension of retail service quality. Furthermore, there is strong support in the retail literature that merchandise related variables do influence store choice and shopping behaviour (Brady & Cronin, 2001), but that measures such as merchandise quality (Dabholkar et al. 1996; Mehta et al. 2000) lay outside of service quality research (Gagliano & Hathcote, 1994; Kim & Jin, 2002).

In brief, the proposed structure of the retail service quality construct in a transition economy (Kline, 1998) is theorised as having a three-factor design as defined by the three dimensions labelled, *physical aspects, personal interaction, and problem solving*. Additionally, as was the case in the Dabholkar et al study (1996), the expectation is that transition economy consumers evaluate retail service quality at both the dimension and overall level, as depicted in Figure, 3.1. Thus, these conceptual models will address the first research gap raised in Chapter 2 of how to operationalise the retail service quality construct within a transition economy.

The second identified research gap focuses on the role of culture in defining and measuring retail service quality. As the literature strongly supports the existence of non-trivial cultural differences between those in developed (West) and transition (East) countries, the theorised dimensions of retail service quality must also reflect those difference. Thus, the second proposed variation to existing models of retail service quality is to go beyond existing measures to develop and include scale items that better reflect the cultural orientation of transition economy consumers.

This inclusion of developed/transition economy measures is theoretically sound. As previously noted, cross-cultural research that has empirically compared consumers within transition and developed economies has shown significant evidence that these two groups both share and differ in terms of cultural values (Schwartz & Bardi, 1997; Inglehart & Baker, 2000; Hofstede, 2001) and perceptions of service quality measures (Zhao et al. 2002; Ellis et al. 2003). As highlighted in the previous section, there is theoretical support that for each of the three proposed factors, non-trivial differences exist in the importance that consumers within transition economies and developed economies place on the scale measures that define these dimensions. Therefore to advance the understanding of the factors both existing and new measures are required.

Figure 3.1 – Conceptual models of retail service quality in a transition economy – first and second order models



In brief, the proposed factor structure of the retail service quality construct as a three-factor, model (as depicted in Figure 3.1) is sound. The inclusion of both *developed/transition economy* and *transition economy* factor scale items will allow for greater understanding of the cultural influences on measuring retail service quality.

3.2.2 – Path analysis – Attitude to the retail brand and customer loyalty

Although retail service quality is the main focus of this thesis, the study also theorises that the retail service quality construct plays a role in overall shopping behaviour of consumers, or the predictive validity of the construct (Netemeyer, et al. 2003). The predictive validity of the Dabholkar et al. (1996) RSQS scale instrument was determined by the correlations of the RSQS overall and dimension scales with two store loyalty measures: intention to shop (Levy & Weitz, 2004); and intention to recommend (Lewison, 1997). For this study, a more sophisticated assessment of predictive validity is proposed that includes retail service quality dimensions within a broader model that explains patronage loyalty behaviour (i.e. customer loyalty) and store brand attitudes in relation to the retailer (i.e. attitude to the retail brand).

As reviewed in the previous chapter, the common approach to model customer store loyalty is to use items that represent future purchase intentions, but the position of this study is that those intentions are mediated through attitude to the retail brand (Low & Lamb, 2000). Retail service quality, as the key variable, is placed into a broader model of the formation attitude to the retail brand, and then to customer store loyalty. The suggestion is that if a retailer delivers a certain level of retail service, then a level of trust that this performance will continue in the future develops (Morgan & Hunt, 1994). This view is that trust, as represented by retail service quality (see Merrilees & Fry, 2002), captures an attitude from the present and carries it over to the future. In addition, the retail service quality construct as the main determinant of attitude to the retail brand will also have an indirect effect on customer loyalty. The position of this thesis is that store location can influence the willingness of a customer to revisit a store. However, the store location is not likely to influence brand attitudes about the store. Different locations would be valued differently so there would not be a constant relation to brand attitude. Thus, the first equation that theorises this relationship, and is:

Customer Loyalty (CL) as a function of attitude to the retail brand (BR) and store location (LO):

(1) CL = f (BR; LO)

The second equation defines the attitude to the retail brand (BR) as a function of both retail service quality (both at a dimension and an overall level) and merchandise selection. Attitude to the retail brand (BR) as a function of the physical aspects of the store (PA), personal interaction attributes (PI), problem solving attributes (PS) and merchandise selection (MS), and Attitude to the retail brand (BR) as a function of retail service quality (RSQ) and merchandise selection (MS):

(2a) BR = f (PA; PI; PS; MS)

(2b) BR = f (RSQ; MS)

The testing of these equations using path analysis (Kline, 1998), can attest to the variance in customers' attitude to the retail brand, and in turn customers' attitude to the retail brand as the main determinant of customer store loyalty, with support from the location attribute. When taken together, the indirect effects of retail service quality on customer store loyalty and thus shopping behaviour can be established. The next section briefly reviews the non retail service quality constructs presented in these models.

3.2.2.1 - Predictive validity constructs

The first non retail service quality construct is *merchandise selection* and encompasses both physical measures of merchandise quality (Wheatley, Chiu & Goldman, 1981), such as those included in the policy dimension of the Dabholkar et al. (1996) study, as well as measures that relate to the brands and style of the merchandise carried (Rinne & Swinyard, 1995).

Merchandise selection is more inclusive than merchandise quality measures (Mazursky & Jacoby 1985), by matching the types of goods that a store carries with the wants of their shoppers. For this study, merchandise selection is defined by objective measures of merchandise quality such as durability and reliability (Garvin 1987), and subjective measures of merchandise quality such as product brands, and styles (Merrilees & Miller, 2001).

The *store location* construct is well established in the retail literature in terms of its impact on retailer patronage (Huff, 1964). The location construct has been studied in terms of its impact on convenience for shopping (Lindquist, 1975), and although research has shown that a consumer may visit an arguably less convenient, or more distant store for personal reasons (Burns &

Warren, 1995), this is judged to be of lesser relevance in transition economies where the costs involved in such travel would be a limiting factor. Thus the store location construct for this study is conceived in terms of convenience measures.

The *attitude to the retail brand* construct, as noted above, has an element of trust implied in its conceptualisation (Merrilees & Fry, 2002). The construct has its roots in the product and service brand reputation literature which has shown that consumers assess a brand at an absolute and a relative level (Selnes 1993). In the case of the attitude to the retail brand, the items to represent the construct include both a personal perspective in terms of the admiration one has for the store, and a wider view of the reputation of the store amongst its customers.

The final non retail service quality construct, *customer loyalty* has been defined as a measure to capture the degree of future purchases (Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994; Berman & Evans, 2001). For this study the construct is viewed as a non-random (biased) behavioural response with respect to store choice (Jacoby & Chestnut, 1978), as well as an attitude of the consumer's cognitive intent of loyalty, which in a retail environment, is measured by a customer's stated loyalty to shop at a store. From a behavioural perspective, customer loyalty is defined as consumer's future intent. In a retail setting, intent is measured as the frequency of shopping a store in the future, or the intent to recommend the store to others (Boulding et al. 1993). Scale items of willingness to return (Sirohi, et al. 1998), willingness to recommend the store to others (Baker, Levey & Grewal, 1992), and overt statements of store loyalty (Sirgy, Johar, Samlia & Clariborne, 1991) have previously been used to measure the construct.

3.3 – Model and equation testing

As stated at the outset of this chapter, the position of this thesis is that the conceptualisation of a model of retail service quality relevant to transition economies differs from existing conceptual models found in the extant literature. Furthermore, the retail service quality construct can be placed within a larger realm of retail shopping behaviour (Rinne & Swinyard, 1995), as indicated by the attitude to the retail brand, and the attitude to the retail brand as an indicator of customer store loyalty. The empirical testing of the proposed retail service quality models and the path analysis equations of retail shopping behaviour result in a number of research hypotheses.

3.3.1 Research hypotheses

From the theoretical and empirical foundations developed to this point in the chapter, this section takes the conceptual model presented in Figure 3.1 and the path analysis equations in Section 3.2.2 and discusses how the empirical testing of them will be used to address the four research issues, and the research question. The research hypotheses are summarised in Table 3.1.

Table 3.1 Research issues and related research hypotheses

Research Issue	Research Issue Testing/Hypotheses
Ri1: Can Western concepts of retail service quality be applied to a transition economy like Estonia?	H1.1 - As a multi-dimension construct, best measured by multiple scale items – Research literature – To empirically test a model of retail service quality using Western measures
Ri2: How should the retail service quality construct be conceptualized in Estonia?	H2.1 - Differences in personal values attributed to the pre-transition (communist) period which have an impact on shopping behaviour – Supported by research literature – empirical data to be collected

Ri3: What are the factors of the retail service quality construct in Estonia?	H3.1 - The retail service quality construct in a Estonia is best represented by a three factor structure H3.1a – Physical aspects measures are positively related to retail service quality in Estonia H3.1b – Personal interaction measures are positively related to retail service quality in Estonia H3.1c – Problem solving measures are positively related to retail service quality in Estonia – To be empirically tested
Ri4: What is the relationship of the retail service quality construct to shopping behaviour in Estonia?	H4.1 – Shopping behaviour in Estonia can be theorised by a linkage between retail service quality and merchandise selection, and attitude to the retail brand and attitude to the retail brand and store location and customer loyalty – To be empirically tested H4.1a - Customer Loyalty is a function of attitude to the retail brand and store location H4.1b - Attitude to the retail brand is a function of the physical aspects of the store, personal interaction attributes, problem solving attributes and merchandise selection H4.1c - Attitude to the retail brand is a function of retail service quality attributes and merchandise selection – To be empirically tested

The first research issue relates to how existing Western measures of retail service quality construct extend to a transition economy. The research literature cited in Chapter 2 focused on a number of transition economy cultural values that differed from consumers within developed markets (Schwartz & Bardi, 1997). The consequence of these differences is that existing models and scale items that purport to measure retail service quality cannot fully capture the same concept when applied within a transition economy. There are non-trivial differences in culture between transition and developed economies (Schwartz & Bardi, 1997; Inglehart, 1997), and reason to question the direct application of developed economy models of retail service quality that fully capture the construct. What has not been empirically shown is to what degree existing retail service quality models extend to measuring the construct within a transition economy such as Estonia (H1.1).

Research Issue Two incorporates culture into the definition and measurement of retail service quality within a transition economy. Cultural variables have been incompletely tested within the retail service quality literature, even in studies that have examined the construct within transition economies (Zhao et al. 2002; Ellis et al. 2003). This research proposes the inclusion of transition economy (i.e. Estonian) measures in the conceptualisation of the retail service quality construct, but will be tested in the answering of Research Issues Three.

Research Issue Three is answered by operationalising the retail service quality construct for testing in Estonia. The proposed construct is best represented by a three-factor model (H3.1); these factors are labelled *physical aspects, personal interaction, and problem solving* (H3.1a, b, c).

Research Issue Four places the retail service quality construct within the larger context of shopping behaviour (H4.1), within a transition economy, as reflected by the construct labelled *customer loyalty* (H4.1a) as function of attitude to the retail brand and store location, and *attitude to the retail brand* (H4.1b) as a function of the three dimensions of retail service quality and merchandise selection, and as a function of retail service quality and merchandise selection (H4.1c).

3.4 - Conclusions

The purpose of this chapter is to develop a framework to address the gaps in knowledge related to the retail service quality construct within a transition economy, as identified in Chapter 2. A conceptual model is proposed that defines the retail service quality construct as being best represented by a three-factor model consisting of *physical aspects*, *problem solving*, and *personal interaction* dimensions, with each of the dimensions being reflected by measures of relevance to Estonian, or transition economy, consumers. Secondly, in order to answer the research question from both a theoretical and a practitioner perspective, the retail service quality construct is theorised within a larger framework of consumer shopping behaviour. The conceptual model links the retail service quality construct with a merchandise selection construct as indicators of the construct labelled *attitude to the retail brand*. The attitude to the retail brand is in turn linked with a *store location* construct which are determinants of the *customer loyalty* construct. Both the *attitude to the retail brand*, and *customer loyalty* constructs are thus representative of the predictive validity of the proposed models in terms of retail shopping behaviour in a transition economy. The proposed models, as best represented by the theorised constructs within the transition economy of Estonia, will be empirically tested using the research design and methodologies discussed in the next chapter.

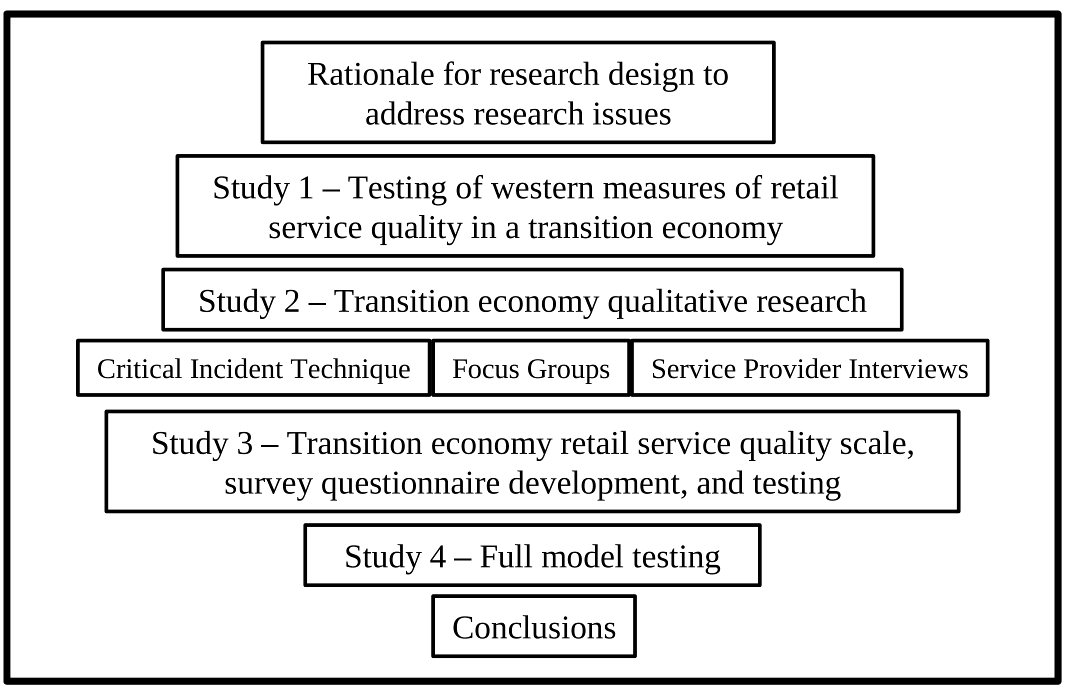
Chapter 4

Research design and methodology

4.1 – Introduction

This chapter details the research design and methodologies used in the testing of the theoretical models presented in Chapter 3. This chapter has seven sections, as outlined in Figure 4.1. This section introduces the chapter, while Section 4.2 presents the rationale for the research design selected. The four studies that frame the basis of the model development and testing are also found in Section 4.2. Sections 4.3-4.6 review the research design and research methods used in each of the four studies. Each study builds upon the previous study, towards answering the overall research question. Section 4.7 summarises the chapter findings.

Figure 4.1 – Research design and methodology



4.2 – Rationale for research design and research issues

This section reviews the rationale for the research methods employed within this study, and justifies how this research design was chosen to answer the research question. This process begins with a presentation of the research issues introduced in Chapter 1. The four research studies are linked to the four research issues.

The first research issue serves as the starting point from the extant retail service quality literature. As retail service quality has not been explored in a transition economy such as Estonia, the first research issue relates to the degree the existing (i.e. Western) measures of retail service quality extend to Estonia. The first research issue is:

Research Issue One: Can Western concepts of retail service quality construct be applied to a transition economy like Estonia?

The Dabholkar et al. (1996) study represents a strong contribution to the retail service quality literature, through the development and empirical testing of a model of retail service quality. As their research was developed, and tested, in the United States, what is unknown is the degree to which these developed economy research measures of retail service quality, can be extended to a transition economy. The answer to this question is the focus of Study 1.

The research design of Study 1 is to test existing retail service quality theories and models, in a transition economy. In order to do this, congruence in the understanding of the retail terms and measures within a transition economy is required (Lubatkin & Powell, 1998). Thus, the aim of Study 1 is to investigate to what degree the external validity of a developed economy framework of retail service quality can model and measure the same construct within the transition economy of Estonia.

In order to build upon existing measures of some phenomena, quantitative research methods are widely used (Deshpande, 1983). The expectation was that by solely using scale items developed in a *Western* culture, there would be reason to question the extent that the construct is fully captured from a transition economy consumer perspective. This leads to the second research issue:

Research Issue Two: How should the retail service quality construct be conceptualized in Estonia?

A number of transition economy cultural values and traits were highlighted in the literature reviewed in Chapter 2 (Schwartz et al. 2000). What remained unclear was the significance of these cultural values and traits in how Estonian consumers define and perceive a retail service encounter. Based on the transition economy retail literature, there was support that some Western retail practices would extend to transition economies (Alexander, 1997; Ellis et al. 2003), but the literature is silent on how a retail shopping experience from an Estonian consumer's perspective would be interpreted with respect to service quality issues (Dabholkar et al. 1996).

Thus, the purpose of Study 2 is to understand the functional equivalence of the retail service quality construct from the standpoint of a consumer within a transition economy. This emic research perspective, in terms of research design, was aimed at determining whether similarities or differences in observed and stated retail shopping behaviour, are real (Barksdale & McTier-Anderson, 1982). This was accomplished by collecting qualitative information about retail shopping experiences of Estonian consumers (Rubin & Rubin, 1995).

The third research issue is derived from the both the transition economy culture and service quality literature. Consensus as to how to operationalise and measure service quality in general, and retail service quality specifically, was not apparent in the research literature. However, there was general consensus that service quality is a latent construct, and that it is best modelled using a multi-factor structure (Dabhokar et al. 1996; Mehta et al. 2000; Ellis et al. 2003). Since the cultural literature supports the position that cultural differences exist between consumers in both developed and transition economies, the third research issue is:

Research Issue Three: What are the factors of the retail service quality construct in Estonia?

The research methods in Study 3 were shaped by the findings from Study 1 and Study 2. The result is the development of a scale instrument and research questionnaire to measure retail service quality in Estonia. The purpose of the research questionnaire is to test the proposed factor structure of retail service quality depicted in Figure 3.1, in Chapter 3, and the construct reliability and validity of the scale instrument.

The final research issue places the retail service quality construct within the larger retailing context of shopping behaviour. An indicative measure was required to test the relationship between the retail service quality construct, and shopping behaviour. To review, the relationship to retail service quality selected for this purpose is the consumer attitude to the retail brand (Morgan & Hunt, 1994; Merrilees & Fry, 2002). Finally, the practical value (Zikmund, 2003) of the retail service quality scale (Dabholkar et al. 1996) is of interest, as measured by customer loyalty indicators (Grönroos 1990; 1991). Thus, the final research issue is:

Research Issue Four: What is the relationship of the retail service quality construct to shopping behaviour in Estonia?

The design of Study 4 is to answer Research Issue Four, by addressing three research goals. The first is to refine the findings from Study 3 by testing a second survey sample of Estonian consumers. The second is to test the proposed factor structure of the conceptual model (Figure 3.1), and the third is to determine the predictive validity or practical value of the proposed retail service quality scale.

In brief, when taken together, the resolution of these four research issues, supported by four separate but related research studies, will direct the answering of the research problem. The framework for the four studies is guided by the selection of appropriate research methods (Ghauri & Gronhaug, 2002) with a combination of both qualitative and quantitative methods to allow for a greater breadth of research techniques to answer the research question (Campbell & Fiske, 1959; Carson et al. 2001).

Fundamentally, the purposes of Studies 1 and 2 are to identify the salient differences between consumers within transition economies and consumers within developed economies, in terms of retail service quality measures. By contrast, Study 3 develops, pilots, and pilot tests an Estonian instrument to model retail service quality, while Study 4 is the main and final study that fully tests the hypothesised model of retail service quality and additionally examines the link to shopping behaviour in order to assess the predictive validity of the retail service quality scale, within a transition economy. Studies 1, 3, and 4, use quantitative research techniques and mathematical analysis in order to produce descriptive and causal findings about the retail service quality construct. In contrast, Study 2 uses qualitative methods in order to explore and interpret Estonian attitudes and behaviours as they relate to retail shopping.

4.3 – Study 1 - Retail service quality replication with Western concepts

As discussed by Roberts (1970), a goal of cross-cultural research should be to either confirm or reject *similarities* or *differences* in the understanding of the phenomena of interest. One of the research principles for this thesis is to find relationships between variables of retail practice, and consumer behaviour. Therefore, exploratory and replication studies were used to assist in highlighting the relationship between isolated variables (Malhotra et al. 1996).

In brief, Study 1 is exploratory replication research to determine the degree to which Western measures of retail service quality also apply within a transition economy. Study 1 also examines the degree to which a structural model of retail service quality has a similar factor structure to that of existing models (Finn & Lamb, 1991; Dabholkar et al. 1996). Thus, as one of the aims of

Study 1 is to determine the possible relevance of the service quality concept within a transition economy; the research framework and measurement instruments were drawn from the extant service quality literature (Mazursky & Jacoby, 1985; Parasuraman et al. 1985; Rinne & Swinyard, 1995; Dabholkar et al. 1996).

The importance of replication studies has been promoted in the marketing literature (Hubbard & Armstrong, 1994), and there is general agreement that replication studies can be beneficial in the advancement of social science knowledge (Singh, Ang, & Leong, 2003). The purpose of replication study is not to simply to examine the same issues in the same way (Tsang & Kwan, 1999), but rather to examine the relevance of using a Western lens to measure the retail service quality construct within a transition economy. The intent is to determine the relevance of an existing scale to another population, employing the same methods of measuring constructs and analysing data. This type of replication research is referred to as an empirical generalisation replication study (Tsang & Kwan 1999).

The focus of Study 1 is not so much a cross-cultural research exercise per se, but a replication study using western constructs to empirically test the external validity of the Dabholkar et al. (1996) retail service quality scale (RSQS) and factor structure using retail shoppers in Estonia. As reviewed in the literature, previous tests of the RSQS instrument questioned both the external validity of the factor structure, as well as the stability of the scale items (Mehta et al. 2000; Ellis et al. 2003). Of the previous replication studies cited, none had tested the instrument using both the same sample retail store format (i.e. department store), and in a transition economy.

As recommended by Clark and Watson (1995), an exploratory study should include items beyond the specific area of interest, in that being over-inclusive of a construct's domain can better assess the content validity, or degree to which the items of a research instrument are relevant to the construct of interest. Thus, the survey questionnaire used in Study 1 included the scale items from the Dabholkar et al. RSQS model, as well as additional items supported in the retailing literature as being relevant to service quality (Rinne & Swinyard, 1995).

The administration and collection of the surveys was conducted by contacts that had been previously established by the author during field research in Estonia. The use of local administrators limited both administrator and respondent bias by lessening the potential for misunderstandings in the survey completion through disparities in culture (Kotabe & Helsen, 2004). The sample respondents consisted of consumers at two domestic department/hypermarket stores operating in Estonia at the time of the study. The two stores selected were located in the capital city of Tallinn.

A non-probability sample of Estonian shoppers was determined to provide an acceptable level of information about retail service quality because of a lack of official data, or private data that defines the population of shoppers. Only those subjects that had visited the sample stores within the last six months were desired, in order to provide consistency about store performance knowledge. It is acknowledged that non-probability samples can be subject to sampling bias (Kumar, 2000), but it was deemed the most appropriate sampling method for Study 1 due to an identified hesitancy by consumers within transition economies to complete consumer surveys in general (Kinsey, 1994), and the limited infrastructure for conducting random surveys within transition economies. The sampling frame fitted within the exploratory objectives of Study 1, and has support within the literature (i.e. Mueller & Mueller, 1996; Kumar, 2000).

In contrast to the Dabholkar et al. RSQS survey, Study 1 used a ten-point scale. An even-numbered scale was selected, as it forced the respondent to make at least a weak commitment to what was being asked (Clark & Watson, 1995). There is support within the literature that semantic differential scales could vary, as long as distinctions are meaningful to the respondents (Kelly & Stephenson, 1967). Of equal importance was the familiarity with such rating measures in Estonia, as purported to the author.

As noted by Sechrest et al. (1972), there are a number of translation issues in cross-cultural research. The primary language in the country is Estonian, but widespread knowledge of English also exists (Statistical Office of Estonia, 2003). Therefore, the respondents had the option of completing the questionnaire in English or Estonian. The questionnaire was originally translated by an Estonian speaker (resident in North America), and further refined by a professor of Estonian located in the country (Sechrest et al. 1972; Cavusgil & Das, 1997). The data was checked in terms of appropriateness for analysis (test of sphericity and sampling adequacy - Kaiser-Meyer-Olkin (KMO) and Bartlett's scores), scale reliability (Cronbach alph; inter-item correlations), convergent validity (assessment of unidimensionality), confirmatory factor analysis (CFA) testing (measurement model fit indices) and discriminant analysis (principal components analysis; pair-wise correlation). The proposed first and second order models of retail service quality were then tested using confirmatory factor analysis (CFA). The rule of thumb of a minimum sample size of ten times the number of free model parameters (Kline, 1998) was followed (for a summary of the background for using CFA in this type of research, see Appendix 4.1).

For Store A - Tallinna Kaubamaja -, the survey questionnaires were completed within the store, some by face-to-face interviews. Others were left at the customer Help Desk, and completed there by store shoppers. For Store B – Maksimarket -, an Estonian marketing research firm was enlisted for the survey administration. The firm was briefed by the author as to the purpose of the study, and the methodology to follow. Store Two surveys were conducted by mail or fax, with the completed surveys being mailed in bulk to the author. It is acknowledged that different methods of survey collection can result in format response bias, but the added benefit from ensuring a larger breadth of responses for Study 1 was deemed acceptable for this stage of the study.

In brief, the research design for Study 1 was a replication study to quantitatively determine the Western relevance of existing Western measures of retail service quality extending to the transition economy of Estonia. The first goal of Study 1 was to investigate the external validity of a developed economy framework of retail service quality. The second goal was to determine how well the RSQS modeled and measured the same construct within the transition economy of Estonia.

4.4 – Study 2 – Qualitative research with Estonian concepts

As way of introduction to Study 2, the selection of qualitative methods for research in Estonia is warranted. The principles of qualitative research focus on gaining meaning and insight into the construct of interest, but not to draw definitive conclusions (Rubin & Rubin, 1995). There exists a gap in understanding of how retail service quality is best defined from an Estonian perspective, thus qualitative research techniques were judged to provide the best way in which to address this gap. Previous studies have used qualitative research techniques to increase the understanding of the reasons and motivations behind marketing research variables such as in consumer behaviour (Beckett, Hewer, & Howcroft, 2000; Williamson, 2002); service quality (Parsuraman et al. 1988; Dabholkar et al. 1996; Burton, Easingwood, & Murphy, 2001); and retail activities (Ibrahim & Ng, 2002). Qualitative research has been shown to help identify the underlying concepts between theorised factors (Frankfort-Nachmias & Nachmias, 1996); thus, qualitative research methods were selected as the research methodology to most accurately describe Estonian retailing shopping processes in consumer terms, rather than numeric terms (Nevid & Sta. Maria, 1999).

As noted by Coffey and Atkinson (1996), no single form of qualitative data interpretation is paramount, and thus in comparison to quantitative research analysis, greater flexibility in matching the choice of analysis to the questions being addressed can be made. Qualitative research methods have been used for induction research, or to allow the findings to help guide the research and theory refinement (Carson et al. 2001). To this end, Tesch (1990) identified twenty-six different ways in which qualitative data could be analysed, and although there is limited unity in the choice of qualitative research techniques, there is strong support that the use of multiple qualitative methods is preferable to the use of a single qualitative method (Abrahamson, 1983; Patton, 1990; Thomas & Ely, 1996; Hall & Rist, 1999).

Furthermore, the use of multi-methods increases the ability to triangulate findings by using dissimilar methods to examine the same phenomena, (Jick, 1979; Cunningham, Young, & Lee, 2000). A qualitative exploration of the terms and concepts that actual Estonian consumers use to define and describe retail service quality concepts and measures results in greater confidence in the use of such terms in subsequent quantitative measurement analysis (Jick, 1979; Thompson et al. 1989). Thus, as the interest of Study 2 focused on the interaction between the two groups involved in a retail exchange (the customer and the retailers), the choices of qualitative research methods that best captured the experiences of that process were selected. The remainder of this section reviews the three qualitative methods chosen in terms of their definition, justification for their use, and the manner in which the method is applied.

4.4.1 - Critical incident technique

The first qualitative research method is critical incident technique (CIT). CIT is defined as a qualitative research method that strives to capture descriptions of how the research subject remembers or interprets a process, often in terms of a positive or a negative experience (Stauss & Weinlich, 1997; Roos, 2002). An *incident* is an observable human activity which, in the context of this research, would be one example of a retail shopping experience. What distinguishes an *incident* from a *critical incident* is that the latter increases or diminishes the significance of the *incident* (Flanagan, 1954). Thus, in a retail service encounter, the *critical incident* would be an example of *good* or *bad* retail service experience (Flanagan 1954; Nyquist & Booms, 1987).

CIT research has its origins in the work of Flanagan (1954), who used CIT as a technique to collect observations of human behaviour as a way in which to address practical problems. In his research, the requirements for positions within the American Air Force were studied (Nyquist, Bitner, & Booms, 1985; Edvardsson, 1992). Within consumer research, CIT involves asking subjects to state how they feel about a service experience. The strength of this technique is that it best reflects the normal way customers think about such incidents (Stauss, 1993). As noted by Edvardsson (1992), the research subject has the opportunity to describe a situation in their own words without an imposed schema provided by the researcher. The effectiveness of CIT research in this study is that it allows Estonian subjects to use their own terms and language in describing shopping experiences. The resulting findings are a way to better understand how Estonian customers actually perceive, and interpret, retail service (Nyquist & Booms 1987).

As the literature is silent on how Estonians interpreted service quality, an open-ended questionnaire was used to collect critical incident data from Estonian shoppers. This allowed respondents to express what *good* or *bad* service meant to them in their own words (Johnston, 1995). The two related questions asked were:

(1) Think of a shopping experience you have had at a store in Estonia when you thought that good service was provided. Please describe in a few sentences the service experience and what made you feel that it was good service.

(2) Think of a shopping experience you have had at a store in Estonia when you thought that bad service was provided. Please describe in a few sentences the service experience and what made you feel that it was bad service.

It was determined that the use of an email questionnaire as the contact method for the CIT sample would provide an acceptable level of responses for data collection. The advantages of using email are its lower cost and increased speed of response, with little substantive differences in terms of acceptable levels of response versus other survey methods (Sproull, 1986; Schaefer & Dillman, 1998).

An email questionnaire allowed participants to respond at their own pace, thus tempering interviewer expectancies (Best & Krueger, 2002). It is acknowledged that the validity of an email based survey is limited by its coverage to those who had access to an email account, but as the purpose of this stage of Study 2 was to explore Estonian descriptions of retail service quality, this was not viewed as a significant limiting factor. Furthermore, email usage in Estonia is well established, and subjects were judged to be comfortable with using this technology (Sroka, 1998).

The sampling framework consisted of students and staff at three Estonian universities, two in the capital city of Tallinn, and one in the second-largest city, Tartu. For the purpose of this exercise the only essential pre-condition for selecting respondents was that they had shopped in discount/department stores. The selection of university students was to provide for a younger sample in terms of years of shopping experience since freedom was re-established in 1991. The inclusion of university staff was interpreted as an older group who would have had retail experiences both before and after independence. These two sample groups together increased the potential breadth of retail service experiences. Email addresses were obtained from the university websites and previous research contacts. A covering letter was used to introduce the purpose of the research. The respondents were assured confidentiality based on the academic nature of the research, and were offered summary results of the findings if desired.

The survey was provided in English or Estonian, and the initial emailing was followed up to non-respondents two weeks later. The sample size of the CIT data, due to the exploratory nature of Study 2, suggested quota sampling could be used to ensure there were an adequate number of responses (Edvardsson 1992). Previous research using CIT by Bejou, Edvardsson, and Rakowski (1996), and Edvardsson (1992), supported a minimum of 200–300 responses as being acceptable for analysis. Due to the relatively homogeneous nature of the ethnic Estonian culture (Lieven, 1993; Laar, 2002), a smaller sample (i.e. closer to 200 than 300) than would be required in more heterogeneous cultures (Malhotra et al. 1996) was judged to be acceptable for this research technique.

In brief, the aim of the CIT research was to address the gap in the literature as to how consumers within a transition economy evaluate retail service encounters. The benefit of using this technique was that one could gain an understanding into the attributes Estonian consumers interpret as being significant indicators of good or bad retail service. The value of the resulting data was that it helps to frame the significance of the cultural question raised in Research Issues One and Two. By relating how consumers in Estonia interpret good and bad retail service, a greater understanding could be made of the relevance of existing scale measures, and dimensions, of retail service quality extending to a transition economy.

4.4.2 - Focus groups

While the CIT research provided insight into how Estonian consumers recount positive and negative retail experiences, it did not allow for a wider uncovering of factors that may be of importance to Estonian customers in evaluating service quality (Dabholkar et al. 1996). Therefore, the second qualitative research method was focus group research. A focus group, as defined by Krueger (1994), is a carefully planned discussion group formed to gain insight into subject perceptions in a defined field of interest, within a permissive and open format.

As described by Stewart, and Shamdasani (1990), and others (see Parasuraman et al. 1988; Dabholkar et al. 1996; Dabholkar, Sheppard, & Thorpe, 2000), information gained from focus groups improves understanding of the phenomena of interest, particularly customer behaviour. Furthermore, focus groups within the exploratory and development stages of research are effective in uncovering phenomena of interest where little information is previously known (Morgan, 1997; Sudman & Blair, 1999; Zikmund, 2003). A number of frameworks for conducting focus groups have been discussed in the literature (Stewart & Shamdasani, 1990; Krueger, 1994; Chrzanowka, 2002). For this research the focus group process followed a five-phase methodology as recommended by Carson et al. (2001).

The first step is to determine the problem that would be addressed within focus group sessions. For this study, the purpose of the focus group sessions was two-fold. The first was to highlight how Estonian consumers describe aspects of retail service quality as found in the extant literature. The second goal was to attempt to uncover measures of retail service quality not previously documented in the literature. The expectation was that the findings of the focus group sessions would aid in the collection of descriptions of, and insight into, retail service quality in Estonia. These findings would be used in the generation of scale items for further study (Rubin & Rubin, 1995).

The second step in the focus group process is to plan the sessions. Requirements include the determination of the composition of the groups, the number of groups, size of groups, and scheduling of the sessions (Carson et al. 2001). As the intent of this research was to better understand experiences of retail service in Estonia the subjects had to be both ethnically Estonian and Estonian residents, as well as being willing to discuss their shopping experiences.

With respect to the number of sessions, the literature suggests there should be enough sessions to reach theoretical saturation, or until no new or relevant data emerges (Glaser & Strauss, 1967). As intimated by Krueger (1994), a rule of thumb suggests saturation should result within three sessions. Furthermore, the literature recommends four to nine subjects per session to provide sufficient group interaction and diversity (Davis, 2000). As retail shopping represents an activity experienced by a wide range of people in Estonia, the aim of the focus group sessions was to obtain views from a cross-section of Estonian consumers varying in age and gender.

One of the presuppositions of Study 2 was that differences do exist between how retail service quality is perceived by consumers within transition and developed economies. Thus, there was a need to include focus group participants who would have had personal retail shopping experiences both prior to Estonian re-independence in 1991 (pre-transition retail environment), as well as since re-independence. Furthermore, to allow for contrast, additional focus group sessions with participants who would have had limited shopping experiences prior to 1991 was organised. To accomplish this, an age division was made between those over 40 years of age and those less than 30 years of age. The result was two categories of sessions: one group of sessions for those under 30 years of age, and one for those 40 years and older. Finally, as noted by Sudman and Blair (1999), multiple locations reduces the potential for sampling biases; therefore, six focus group sessions were scheduled, with three each held in the two largest cities, and retail centres, in Estonia, namely Tallinn and Tartu.

The scheduling, finding of site locations, and length of time required to prepare for focus group sessions are more challenging within an international, cross-cultural setting (Malhotra et al. 1996). As this research was to be conducted outside of the author's home country and culture, local representatives in Estonia were recruited. Relationships with the co-ordinators had been established through earlier fieldwork, and the benefit of using locals in this role was that they possessed a more intimate knowledge of the ethnic and socio-economic characteristics of the focus group locale (Krueger, 1994). Similarly, the locations for the sessions also needed to be easily accessible for attendance, and the sessions themselves needed to be of sufficient length, but not so long as to result in participant fatigue (Morgan, 1997). For these reasons, sessions were scheduled for one hour in length, and held at two Estonian universities, one in Tallinn, and the other in Tartu.

The next step in the planning process is the selection of a focus group moderator. Moderator skill is critical to the focus group sessions as they are the instruments of the research (Wilson, 2002). The moderator has to have adequate knowledge of the topic, and also be able to exert unobtrusive control over the sessions (Krueger, 1994). In academic studies the researcher(s) often takes on this role (Carson et al. 2001); others endorse the use of professional moderators (Stewart & Shamdasani, 1990). It was determined that the aforementioned co-ordinators would also act as session moderator, while the author would act as the assistant moderator (Carson et al. 2001). As assistant moderator, the author could ensure the moderator kept sessions on track with respect to the aims of the research. Furthermore, as assistant moderator, the author could introduce additional questions or discussion streams based on information emerging from the sessions (Krueger, 1994).

The development of questions and topics is required prior to conducting the sessions. There is disagreement in the literature as to the number of topics that should be addressed in a focus group session, although Stewart and Shamdasani (1990) suggest no more than twelve. The freedom to rearrange topics, based on the flow of the discussion, is more important than the actual number of topics (Carson et al. 2001).

The topics covered in the Estonian focus group sessions expanded upon the previously-identified factors of retail service quality. The questions also introduced culture specific inferences (such as personal values) that were hypothesised to have an influence on how retail service quality attributes are evaluated (Schwartz & Bardi, 1997), and the potential impact of economic and social change (Inglehart, 1997). Finally, the sessions were structured to allow for the uncovering of unknown service quality measures, and thus be phenomenological in nature (Dabholkar et al. 1996). A general protocol the moderator was asked to follow, including a list of open and closed questions that guided the sessions (Zikmund, 2003), can be found in Appendix 4.2.

The moderators were paid for their participation, and in addition to moderating the sessions, were enlisted to recruit focus group participants. The participants, although not told prior to the sessions, were provided with a nominal amount shopping gift certificate as thanks for their participation. At the start, participants were informed of the purpose of sessions by the moderator. Participants were told the author would act as assistant moderator, and would address any questions the moderator could not answer. As part of the introduction, the participants were told that all individual comments were for academic research purposes only, and would be kept completely confidential. With participant approval, all sessions were tape-recorded.

In brief, the first purpose of focus groups was to clarify the understanding of similarities between the factors important to retail service quality in Estonia, and existing factors in the literature (Dabholkar et al. 1996). The second purpose was to allow for the uncovering of unknown, Estonian specific, indicators of retail service quality. Similarly to the CIT research, the focus group research addressed the role of culture in evaluating shopping experiences within a transition economy.

4.4.3 - Interviews

The third qualitative method employed in Study 2 was the retailer-based semi-structured interview. As a retail service encounter involves an interaction between a shopper and a retailer, it was determined that added voices from Estonian retail service providers would enhance the consumer CIT and focus group findings. A further goal of the service provider interviews was to triangulate with the findings of the first two qualitative methods (Griggs, 1987; Patton, 1990; Seale, 1999).

As defined, a semi-structured interview falls between structured and unstructured interviews (Gordem, 1975). Unlike structured interviews, there is no standard format, fixed structure or systematic sampling. Unlike unstructured interviews, the topics, questions, the sample and interviewees are pre-determined (Ghauri & Gronhaug, 2002). The purpose of the semi-structured nature of the interviews is to allow the interviewer to guide the questions and follow up questions in a manner based on interviewee responses (Phillips 1976; Layder, 1995). The advantage of using semi-structured interviews is the opportunity for participants to speak freely about their experiences, feelings and attitudes (McCracken, 1988; Marshall & Rossman, 1995).

The selection of Estonian service providers was based on methods found in existing retail research (Simms, 1992, Moore, Fernie, & Burt, 2000; Linehan, 2001). The first requirement was the willingness to participate. The second requirement was that interviewees were in a position of responsibility to have knowledge of the issues to be discussed.

The willingness to find subjects to participate in interviews is an additional challenge faced within transition economies. There is greater concern over how information provided in interviews would be used, based on often intimate knowledge and fear of such practices during the earlier communist period (Hashi, 1998). Therefore, it is recognised that those selected do not fully represent the full Estonian retail sector, but as this phase of Study 2 formed only one part of a three part research process, the selection technique was deemed acceptable (Jick, 1979). Two retail service providers agreed to be interviewed (with anonymity ensured in order to participate) and represented a judgment sample of those that could provide ideas and insights on the service quality concept (Churchill, 1979).

The first interview was with two directors of a large Estonian department store. The directors had been contacted earlier through email to outline the purpose of the research, and the format of the interviews. The directors were informed they would be asked to share their thoughts on the role of service quality in retailing in Estonia. They would also be asked to share their views of retail service quality as it related to their store's service activities. The representatives were the Marketing Director, who was responsible for all marketing activities at the stores, and the Human Resource Director, who was responsible for the hiring and training of sales personnel. The interview was scheduled to last one hour, and was conducted at the offices of the retailer.

The second interview was with the owner of two small automotive parts stores. A preliminary set of questions was faxed to the storeowner, with a date set for a telephone interview. As in the first interview, the focus of the interview was mainly on the retail owner's interpretation of the role of service quality in Estonia. In both cases, the intent of the interviews was to concentrate on the concept of service quality and how the interviewees and their store interpreted or defined the concept.

In brief, the insight gained from the service provider interviews was not the primary object of analysis; the aim was to align the insight within the context of the findings from the first two qualitative research techniques (Ereaut, 2002). The intent of the interviews was not to make quantitative comparisons between comments by interviewees and the CIT and focus group samples, but rather to allow for an increase in understanding of how the service quality concept is defined, this time from the service provider perspective (Thompson et al. 1989).

To conclude, the purpose of Study 2 was to use multiple qualitative research methods to create a more richly developed picture of retail service quality in a transition economy. Study 2 took an inductive research approach to reflect upon how the development of explanations and theory about the retail service quality construct occurs within a transition economy (Carson et al. 2001). The intent of the qualitative research is to assist in building theory. The three-stage process of CIT, focus groups, and interviews, results in increased understanding of the descriptors of retail service quality within the transition economy of study, Estonia.

4.5 – Study 3 – Pilot testing of proposed Estonian retail service quality scale

The purpose of the quantitative research methods in Study 3 are to develop and pilot a multi-item scale instrument to measure retail service quality in Estonia. Study 3 addresses the third research issue by synthesising the findings of Study 1 and Study 2 into determining the factors of the retail service quality construct within the transition economy of Estonia.

As discussed by Churchill (1979), the progress and development of marketing as a science is dependent on the ability to estimate variables of interest. Within the marketing literature there is strong support that measures should be standardised or repeatable (Netemeyer et al. 2003). The level of confidence one has in the standardisation of measures are the properties of reliability and validity (Davis, 2000). Numerous books and articles discuss the best way to conduct scale development (i.e. Churchill, 1979; Clark & Watson, 1995; Haynes, Richard, & Kubany, 1995; Netemeyer et al. 2003). Drawing from this literature, Table 4.1 summarises the processes taken in this study.

The first step is to specify the domain of the construct, which is the construct of retail service quality as modelled in Figure 3.1. The second step is to generate items that capture the meaning of the specified constructs (Churchill, 1979). Within the item generation process, item validity needs to be assessed (Peter, 1981). As noted by Netemeyer et al. (2003), the pool of items should be checked for content and face validity. Firstly, the content validity, or how well the scale represents the theoretical construct of interest, relates to retail service quality variables relevant to Estonians (Peter, 1981; McDaniel & Gates, 2004). Secondly, to what extent do the items in the scale instrument adequately cover the construct being investigated (Haynes et al. 1995). This point is represented by face validity, or the degree the scale items measure what they are intended to measure (Heeler & Ray, 1972; McDaniel & Gates, 2004).

Table 4.1 Steps in the development of the research scale instrument

Domain of latent construct	- Literature review
Generate sample of items	- Literature review - Study 1 - Study 2 - Retail service quality questionnaire refinement
Collect data – Study 3	- Administer questionnaire
Purify scale measure(s)	- Analysis of Study 3 data
Re-evaluate questionnaire	- Revise retail service quality items - Addition of attitude to brand, and customer loyalty items
Collect data – Study 4	- Administer questionnaire - Full data survey
Data analysis	- Confirmatory factor analysis - Multivariate regression analysis – Path analysis

Source: developed for this research from Churchill (1979), Netemeyer et al. (2003) and Hair et al. (2003)

For Study 3, a comprehensive list of scale items was compiled for each of the three dimensions of retail service quality theorised in Figure 3.1. The items came from three sources, the extant literature, the findings of Study 1, and the findings of Study 2. Similar items, but with slightly different degrees of meaning, were included in the preliminary list to increase confidence in the eventual measure (Churchill, 1979). The list of items and questions were checked for wording clarity. Leading questions, and double-barrelled questions, were removed (Hair et al. 2003; Netemeyer et al. 2003). Avoiding wording redundancy in the generation of items is strongly suggested in the literature (Netemeyer et al. 2003); generally, if a question does not probe the construct in a different way, it should not be included. As this was the first known Estonian, emic-based scale of retail service quality, the potential for idiomatic or grammatical/syntactical equivalence concerns existed (Sechrest et al. 1972). As the item generation process was originally developed and written in English, even accounting for the Estonian translation, and back translation, a degree of ambiguity as to the preferred terminology for the self reported measures of retail service quality items could occur. Therefore, it was determined that arguably redundant questions would be included in the survey instrument in Study 3.

In terms of the sample field, the selection of stores for Study 3 expanded beyond the two used in Study 1 to include the five largest Estonian department store/hypermarket retailers (See Appendix 4.3). The inclusion of all five retailers increased the reliability of consumer perceptions of this retail environment in Estonia. The five retailers were Tallinna Kaubamaja (Store A), Maksimarket (Store B), Prisma (Store C), Selver (Store D) and Stockmann (Store E). An Estonian administrator was once again recruited and trained by the author to administer and collect the surveys. As in Study 1, the survey could be completed in either Estonian or English, and general demographic information was again collected. It is suggested in the literature that in the development of a scale instrument, the size and composition of the sample should be considered with respect to the purpose of the study (Netemeyer et al. 2003). Clark and Watson (1995) suggest a sample size of 100-200 is adequate for this purpose. It was decided that a minimum of 25 surveys from each store (i.e. 5 x 25=125) would be adequate for the purposes of Study 3.

In contrast to the survey collection process in Study 1, a marketing researcher in Estonia, known to the author, was employed to collect the surveys for Study 3. In additional to the lack of official data, or private data that defines the population of shoppers as stated in Study 1, making the use of a non-probability sample acceptable, the use of a local researcher/administrator was determined to be the best way to ensure that an adequate number of responses could be collected from all five stores. As in Study 1, there was the requirement was that the subjects had to have shopped the store during the previous six months to be included. The respondents were contacted by telephone, email, or mall/street intercepts, and asked to answer a series of forty-six questions about retail service quality (see Appendix 5.2). The responses to all questions were recorded by the survey administrator, and the completed data was sent to the author for analysis.

Scale purification and additional data collection were the next steps in the measurement development process (Churchill, 1979). The Study 3 sample helps to reduce and refine the number of items, and also allows for initial validity testing. For the purpose of scale and theory refinement (Netemeyer et al. 2003), the survey items were grouped into one of the three theorized factors of *physical aspects, personal interaction,* or *problem solving*. As in Study 1, the data was checked in terms of appropriateness for analysis (test of sphericity and sampling adequacy - Kaiser-Meyer-Olkin (KMO) and Bartlett's scores), scale reliability (Cronbach alph; inter-item correlations), convergent validity (assessment of unidimensionality), confirmatory factor analysis (CFA) testing (measurement model fit indices) and discriminant analysis (principal components analysis; pair-wise correlation). The proposed first and second order models of retail service quality were then tested using confirmatory factor analysis (CFA). The scale items used in Study 3 were developed from both existing retail service quality scales, and shaped by the qualitative findings of Study 2. Further scale purification, as required, would be made prior to conducting Study 4.

In conclusion, the purpose of this section was to describe the scale development process used in Study 3, including a brief discussion of the sampling frame, and survey data administration, and collection. The purpose of the research design and methods of Study 3 were to aid in addressing Research Issue Three in order to operationalise the retail service quality construct in a transition economy. The aim of Study 3 was to expand on the findings of Study 1 and 2, and to provide a data set for preliminary testing of the theorised structure model of retail service quality.

4.6 – Study 4 – Purification and full model testing of Estonian RSQ scale

In contrast to the discussion of the research design and methods used in Study 3, the focus of Study 4 was two-fold. The first and major purpose was to fully test the retail service quality instrument; the second purpose was to test the proposed equations of retail shopping behaviour presented in Chapter 3. This was accomplished by re-crafting the retail service quality measures and including scale items to represent attitude to the retail brand, and customer loyalty, as discussed in Chapter 3. The resulting instrument would be administered to a larger, second sample of Estonian consumers.

As in Study 3, the sample set came from consumer perceptions of retail shopping experiences at the five largest department stores/hypermarkets in Estonia. As the purpose of Study 4 was to provide a greater understanding of the retail service quality concept and testing of a conceptual structural model, a larger sample size to increase the likelihood of capturing the retail service quality elements beyond a single store sample, was required (Hair et al. 2003). Additionally, the increased number of parameters to be estimated in the larger model (Figure 3.4) required a larger sample size to adequately conduct confirmatory factor analysis (CFA) and path analysis testing (Kline, 1998).

For Study 4, a self-completed pencil and paper questionnaire was used (Netemeyer et al. 2003). Once again, local Estonian administrators provided the proper level of skill in the administration and collection of survey data. The survey administration and data collection processes in Study 4 mirrored those described in Study 1, with the following exceptions: all questionnaires were delivered and collected by one marketing research professional known to the author; the person was provided with hard copies of the questionnaires, as well as the requirements for the study. In order to allow for CFA testing, a large total sample was required (i.e. ~300-400). A target 75 completed surveys for each of the five stores was requested.

In brief, the research design and methods used in Study 4 echoed many of the same questionnaire design and administration issues prevalent in Study 1 and Study 3. The data was checked in terms of appropriateness for analysis (test of sphericity and sampling adequacy - Kaiser-Meyer-Olkin (KMO) and Bartlett's scores), scale reliability (Cronbach alph; inter-item correlations), convergent validity (assessment of unidimensionality), confirmatory factor analysis (CFA) testing (measurement model fit indices) and discriminant analysis (principal components analysis; pair-wise correlation). The proposed first and second order models of retail service quality were then tested using confirmatory factor analysis (CFA).

The major differences between Study 4 and Study 3 were the refinement of the retail service quality questions, and the addition of scale items to measure the non retail service quality constructs. Study 4 also examined the predictive validity of the retail service quality construct and additional constructs of shopping behaviour as discussed in Chapter 3. This was conducted using path analysis as measured by the regression coefficients of the shopping behaviour scales. Further, following Churchill (1979) and others, Study 3 and Study 4 in combination add robustness to the construct testing process because it indicates two separate quantitative studies testing the same substantive constructs.

4.7 - Conclusions

The purpose of this chapter was to introduce the four research issues, and to review how the four research studies would be used to address them. The rationale behind the choice of research design and research methodology for each of the respective studies was also made. The ways in which the proposed research methods would best answer the research question, in terms of developing a way to measure and model retail service quality in Estonia, were also discussed. The intent of each study was to build upon the previous study in terms of developing the required research instruments to test the theoretical models presented in Chapter 3. The findings of the four studies are the focus of Chapter 5.

Chapter 5

Research studies findings

5.1 - Introduction

The purpose of this chapter is to present the findings of the four research studies described in Chapter 4, and to examine the validity of the theoretical models proposed in Chapter 3. This chapter discusses the extent that the research issues and the overall research question are answered. This chapter has six sections. Section 5.2 reviews the findings of Study 1, the measuring of retail service quality in Estonia using Western measures. The findings discuss the extent that these measures equally apply within Estonia, as well as the predictive validity of the scale measures. Section 5.3 reviews the findings of the three qualitative research methods - critical incident technique; focus groups; interviews; - used to advance the understanding of the retail service quality construct from an Estonia perspective, while Section 5.4 reviews the findings of the pilot testing of a proposed Estonian retail service quality scale. Section 5.5 presents the findings of Study 4, or the full model testing of the proposed retail service quality scale. The summaries of the respective findings of the four studies (in the context of the research issues and the research question) and conclusions for the chapter are presented in Section 5.6.

5.2 – Study 1 – Retail service quality replication with Western concepts

The purpose of Study 1 was to determine to what extent Western measures of retail service quality are relevant for modeling and measuring the construct within a transition economy. Study 1 empirically tested the external validity of existing Western retail service quality scales, and factor structures. Two types of models were tested, one at the dimension level (i.e. factor level), or the main drivers of service quality, and one at the integrated level (i.e. retail service quality level), or the overall customer perception of service quality provided.

5.2.1 – Preview of retail service quality scales

In order to be relevant to the Estonian retail environment, the survey scale items were slightly modified from early studies (Brown & Gaulden, 1984). Additionally, a need existed to address vocabulary, idiomatic, and experiential, translation issues as they related to the Estonia retail environment (Sechrest et al. 1972). For example, the scale item *Employees in this store treat customer courteously on the telephone* (Dabholkar et al. 1996) was not relevant to Estonian retailing, as customers had little history of telephoning a store. A second example was *Customers feel safe in their transactions with this store*, (Dabholkar et al. 1996) which had no related Estonian equivalence. The end result was a series of twenty scale items, which defined the four theorised retail service quality factors found in the literature (Dabholkar et al. 1996; Mehta et al. 2000; Kim & Jin, 2002).

As noted in Chapter 3, the *policy factor* was excluded from analysis as *policy* items (such as *merchandise quality*) are not supported in the literature as measures of retail service quality (i.e. policy measures are sensitive to which items are included, and are more indicative of tangible merchandise than service quality (Mehta et al. 2000; Kim & Jin, 2002)). The sample consisted of 197 fully completed surveys; 91 from Store A (Tallinna Kaubamaja), and 106 from Store B (Maksimarket). Since Store A was a department store, and Store B a discount/hypermarket, the two samples were compared using Chi square cross-tabulations to check for potential bias based on store type, and the subject response to a store preference question (i.e. "is this your favourite store?"). No statistically significant difference was found ($\chi 2$ = 1.18; p=.278). The descriptive statistics for the individual items are found in Table 5.1. The variety in the responses, as measured by the standard deviations, indicates a diverse set of individual perceptions (McDaniel & Gates, 2004).

Table 5.1 - Study 1: Replication scale items and retail service quality factors (10 point scale: 10 the highest and 1 the lowest)

	Physical Aspects (6 Items)	**Mean**	**Std. Dev.**
pa1	The merchandise displays look good visually	6.71	2.08
pa2	The store has a modern look about it	6.63	2.38
pa3	The store is rarely out of stock on items	6.48	2.21
pa4	The displays have plenty of helpful information about the merchandise	6.46	2.07
pa5	Self-selection is easy and well-guided.	6.28	1.91
pa6	Clean & fresh visual lines of merchandise displays	5.96	1.98
	Personal Interaction (6 Items)		
pi1	Sales staff are always courteous with customers	6.85	2.00
pi2	Sales assistants are available and quick to help	6.44	2.20
pi3	The store has knowledgeable staff who can answer customer queries	6.37	2.15
pi4	The employees give you confidence for your shopping	6.23	2.23
pi5	When a customer has a problem this store shows a sincere interest in solving i	6.44	2.10
pi6	The store goes out of its way to solve customer problems	5.91	2.00
	Problem Solving (3 Items)		
ps1	Staff willingly handles returns and exchanges of merchandise	5.55	2.19
ps2	The store has an excellent merchandise return policy	5.53	2.04
ps3	The store supports the local community	5.17	2.02
	Reliability (5 items)		
re1	The store usually has what I want	7.50	2.18
re2	You can trust this store	6.48	2.21
re3	The store is highly dependable	6.03	2.10
re4	The store always delivers with the right goods, convenience and service	5.92	2.10
re5	You can count on this store	5.86	2.14

The profile of the respondents suggests the sample broadly corresponded to the Estonian population of department store/discount store shoppers generally, though this simply means the selected sample corresponded to a quota convenience sample. By gender, the sample was 62% female, and 38% male. The age distribution tended to a more youthful shopper, as two-thirds of sample respondents were under 30 years of age. The relative youthfulness of the typical Estonian department store/discount store consumer was noticed and confirmed by the author, based on direct observations made during several visits to each store. Additionally, to test for potential age bias in responses based on years shopping as an adult pre and post communist period, a Chi square test comparing the responses of younger (<30) and older (>30) respondents to the question "is this your favourite department store" indicated no statistically significant difference ($\chi 2 = .231$; $p=.631$).

Due to the replication nature of Study 1, the data were analysed using similar techniques used in the Dabholkar et al. (1996) study, and related replication research (Kim & Jin, 2002). To test the retail service quality scale model, confirmatory factor analysis using partial diaggregation (Hull, Lehn, & Tedlie, 1991; Bagozzi & Heatherton, 1994; Dabholkar et al. 1996) was employed. Partial disaggregation reduces higher levels of random error, while still allowing for the testing of the model factor structures (see pg. 9 – Dabholkar et al. 1996).

5.2.2 – Test of sphericity and sampling adequacy

Prior to testing, the data needed to be checked in order to determine the appropriateness of its use for such analysis (Kline, 1998). The Kaiser-Meyer-Olkin (KMO) and Bartlett's scores were measured, and indicated the data were indicative of a multivariate normal population, and that a factor analysis is a meaningful measure of such data.

Table 5.2 – Kaiser-Meyer-Olkin (KMO) and Bartlett's scores

		Bartlett Test of Sphericity	
	KMO	$\chi 2$	Significance
Overall Scale	0.93	2816	0.00
Physical Aspects	0.82	365	0.00
Personal Interaction	0.91	881	0.00
Problem Solving	0.65	257	0.00
Reliability	0.82	553	0.00

The KMO range was from 0.65 to 0.93 which is greater than 0.50 indicating the data was acceptable for analysis. Similarly, the Bartlett tests were statistically significant at the 0.01 level indicating acceptable data as shown in Table 5.2.

5.2.3 – Reliability tests

The next step in the data analysis was to determine the degree that each of the proposed items represented the underlying retail service quality dimension. This analysis was conducted using a two stage approach. The first stage was to determine the reliability of the proposed scale items at the individual and dimension level. This was determined by the reliability of each scale as measured by the Cronbach Alpha (Cronbach, 1951). The second approach was to determine the goodness of fit criteria (Kline, 1998) of the four dimensions, as single factor structural models, discussed in Section 5.2.4.

The Cronbach Alpha values were calculated using SPSS 12.00 (SPSS Inc. 2003), and each of the scores was above the accepted level of 0.70 (Hair et al. 2003), indicating the interrelatedness of the set of items at the dimension and overall retail service quality level as depicted in Table 5.3.

Table 5.3 – Cronbach Alpha for the three theorised factors of retail service quality

RSQ scale:	20 items: 0.95	Item-to-total correlation range: 0.39-0.80
Physical aspects:	6 items: 0.80	Item-to-total correlation range: 0.44-0.67
Personal interaction:	6 items: 0.93	Item-to-total correlation range: 0.70-0.86
Problem solving:	3 items: 0.82	Item-to-total correlation range: 0.53-0.76
Reliability:	5 items: 0.85	Item-to-total correlation range: 0.31-0.81

As the Cronbach Alpha can be affected by scale length, inter-item correlation, the next step in the data purification was to determine whether the item-to-total correlations fell within an acceptable range. A recommended range of item retention is 0.50 or more has been suggested (Netemeyer, Boles, & McMurrian, 1996), while others have used a minimum of 0.35 (Bearden, Hardesty, & Rose, 2001) in the development of scales. As seen in Table 5.3, the range of items was from 0.31-0.86.

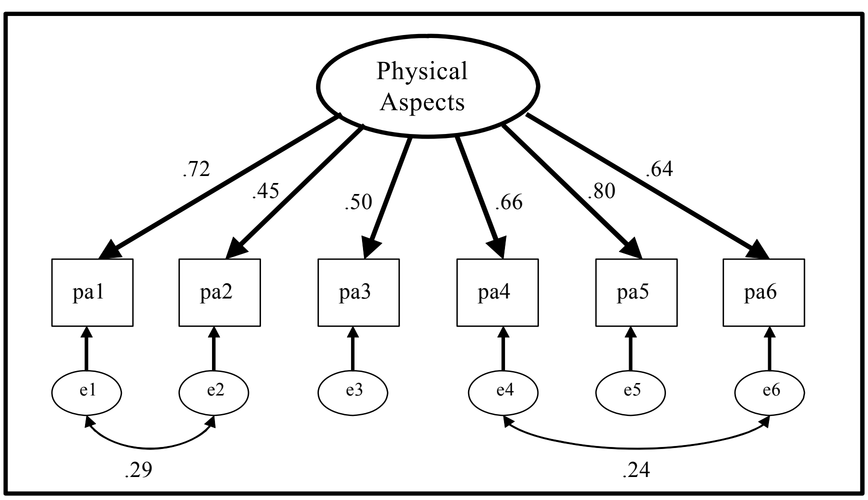
5.2.4 – Convergent validity and confirmatory factor analysis (CFA) testing

To assess the unidimensionality of the scales, or the degree that the scale items represent the theorised dimension, and the degree that all the scale items measure the same thing (Spector, 1992). The first measurement was the standardised regression weights of the individual scale items on it assigned factor. Ratings above 0.70 are considered good and greater than 0.40 as moderate to acceptable, although lower scores can be retained if additional item reliability measures, and face validity supports their inclusion (Netemeyer et al. 2003). The next measurement is the level of correlation between the items as indication of the relatedness of the questions. The correlations should be significant, but any two items with very high correlations, usually 0.90 or above, would be considered to measure the same thing, and thus a redundant question, and therefore eliminated (Spector, 1992).

Two final tests were also conducted prior to the retail service quality modeling stage. In order to check that the individual items are indeed independent and not related to an unmeasured dimension, critical ratios (CR) of the variance of the scale items error terms were calculated (Schumacker & Lomax, 1996). To be significant, the CR value should be greater than 1.96 (Byrne, 2001). Each of the four retail service quality dimension models is reviewed in turn. The first dimension, *physical aspects*, depicted in Figure 5.1, as noted was represented by the six items listed in Table 5.1.

Note that two pairs of error terms e1 and e2, and e4 and e6 were slightly covaried as they were similar in terms of focus (i.e. e1 and e2 for the "look" of physical aspects, and e4 and e6 in terms of "merchandise" measures). Table 5.4 lists the measurement values for the *physical aspects* dimension as calculated using the AMOS (Arbuckle, 1999) software.

Figure 5.1 – Physical aspects dimension



All standardised regression weights were above 0.40, and all CR values were greater than 1.96 indicating acceptability of the items. The correlation analysis (using SPSS 12.00) is presented in Table 5.5, and all pair-wise comparisons are significant and less than 0.90.

Table 5.4 – Physical aspects measurement model values

Physical Aspects Reliability (α)	0.80		Standardised Regression Weight	C.R.	p	Variable Reliability
pa1	<=	Physical Aspects	0.72	7.16	0.00	0.52
pa2	<=	Physical Aspects	0.45	9.12	0.00	0.20
pa3	<=	Physical Aspects	0.50	9.12	0.00	0.25
pa4	<=	Physical Aspects	0.66	7.87	0.00	0.43
pa5	<=	Physical Aspects	0.80	5.46	0.00	0.64
pa6	<=	Physical Aspects	0.64	7.84	0.00	0.42

Table 5.5 – Physical aspects dimension scale item correlations

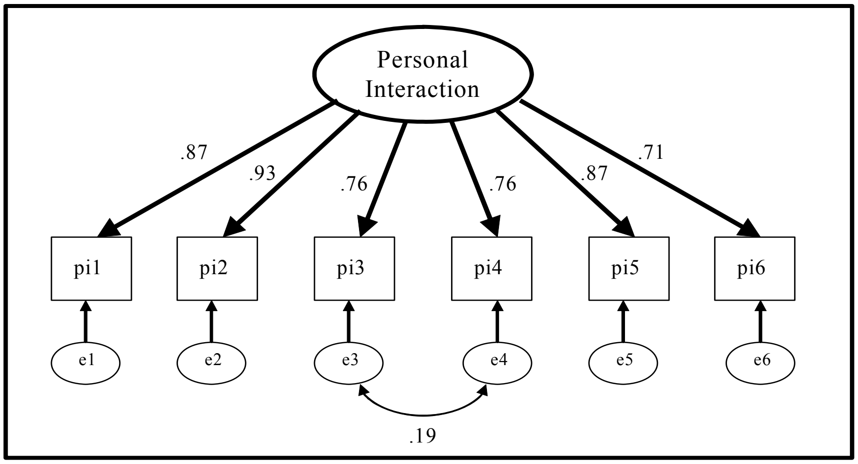
Correlations

		pa1	pa2	pa3	pa4	pa5	pa6
pa1	Pearson Correlation	1	.506**	.348**	.439**	.567**	.522**
	Sig. (2-tailed)	.	.000	.000	.000	.000	.000
	N	197	197	197	197	197	197
pa2	Pearson Correlation	.506**	1	.289**	.234**	.347**	.348**
	Sig. (2-tailed)	.000	.	.000	.001	.000	.000
	N	197	197	197	197	197	197
pa3	Pearson Correlation	.348**	.289**	1	.347**	.418**	.255**
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000
	N	197	197	197	197	197	197
pa4	Pearson Correlation	.439**	.234**	.347**	1	.550**	.563**
	Sig. (2-tailed)	.000	.001	.000	.	.000	.000
	N	197	197	197	197	197	197
pa5	Pearson Correlation	.567**	.347**	.418**	.550**	1	.492**
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000
	N	197	197	197	197	197	197
pa6	Pearson Correlation	.522**	.348**	.255**	.563**	.492**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.
	N	197	197	197	197	197	197

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

The second theorised dimension was *personal interaction*. Six scale items were selected to represent this dimension as shown in Figure 5.2.

Figure 5.2 – Personal interaction dimension



Error terms e3 and e4 were slightly covaried as they were similar in terms of focus (i.e. e3 and e4 for the "competence" of store staff). Table 5.6 lists the measurement values for the *personal interaction* dimension as calculated using the AMOS (Arbuckle, 1999) software.

Table 5.6 – Personal interaction measurement model values

Personal Interaction			**Standardised**			**Variable**
Reliability (α)	**0.93**		**Regression Weight**	**C.R.**	**p**	**Reliability**
pi1	<=	Personal Interaction	0.87	7.81	0.00	0.50
pi2	<=	Personal Interaction	0.93	5.82	0.00	0.76
pi3	<=	Personal Interaction	0.76	8.88	0.00	0.58
pi4	<=	Personal Interaction	0.76	8.91	0.00	0.58
pi5	<=	Personal Interaction	0.87	7.86	0.00	0.86
pi6	<=	Personal Interaction	0.71	9.20	0.00	0.76

All standardised regression weights were above 0.40, and all CR values were greater than 1.96 indicating acceptability of the items. The correlation analysis (using SPSS 12.00) is presented in Table 5.7, and all pair-wise comparisons are significant and less than 0.90.

Table 5.7 – Personal interaction dimension scale item correlations

Correlations

		pi1	pi2	pi3	pi4	pi5	pi6
pi1	Pearson Correlation	1	.828**	.652**	.645**	.740**	.623**
	Sig. (2-tailed)	.	.000	.000	.000	.000	.000
	N	197	197	197	197	197	197
pi2	Pearson Correlation	.828**	1	.691**	.700**	.813**	.625**
	Sig. (2-tailed)	.000	.	.000	.000	.000	.000
	N	197	197	197	197	197	197
pi3	Pearson Correlation	.652**	.691**	1	.661**	.679**	.620**
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000
	N	197	197	197	197	197	197
pi4	Pearson Correlation	.645**	.700**	.661**	1	.677**	.600**
	Sig. (2-tailed)	.000	.000	.000	.	.000	.000
	N	197	197	197	197	197	197
pi5	Pearson Correlation	.740**	.813**	.679**	.677**	1	.607**
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000
	N	197	197	197	197	197	197
pi6	Pearson Correlation	.623**	.625**	.620**	.600**	.607**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.
	N	197	197	197	197	197	197

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

The third theorised dimension was *problem solving*. Three scale items were selected to represent this dimension as shown in Figure 5.3.

Figure 5.3 – Problem solving dimension

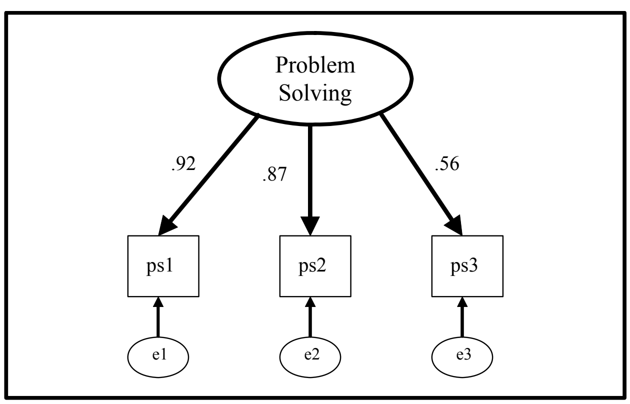


Table 5.8 lists the measurement values for the *problem solving* dimension as calculated using the AMOS (Arbuckle, 1999) software, while Table 5.9 presents all pair-wise correlations. All

standardised regression weights were above 0.40, and all CR values were greater than 1.96 indicating acceptability of the items. Also, all correlations were significant and less than 0.90.

Table 5.8 – Problem solving measurement model values

Problem Solving Reliability (α)	0.82		Standardised Regression Weight	C.R.	p	Variable Reliability
ps1	<=	Problem Solving	0.92	2.37	0.02	0.84
ps2	<=	Problem Solving	0.87	3.87	0.00	0.75
ps3	<=	Problem Solving	0.56	9.33	0.00	0.31

Table 5.9 – Problem solving dimension scale item correlations

Correlations

		ps1	ps2	ps3
ps1	Pearson Correlation	1	.794**	.512**
	Sig. (2-tailed)	.	.000	.000
	N	197	197	197
ps2	Pearson Correlation	.794**	1	.485**
	Sig. (2-tailed)	.000	.	.000
	N	197	197	197
ps3	Pearson Correlation	.512**	.485**	1
	Sig. (2-tailed)	.000	.000	.
	N	197	197	197

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

The last dimension, *reliability*, as previously discussed, was not theorised to be indicative of the retail service quality construct in Estonia, but is included in the analysis in Study 1 as it had previously been supported as a valid dimension in empirical studies conducted in Western markets (i.e. Dabholkar et al. 1996). Five scale items were drawn from the extant literature to represent this dimension as shown in Figure 5.4.

Figure 5.4 – Reliability dimension

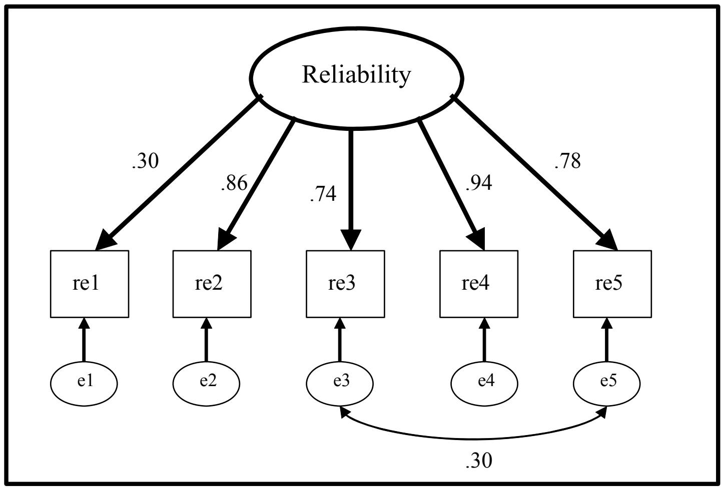


Table 5.10 – Reliability measurement model values

Reliability			**Standardised**			**Variable**
Reliability (α)	**0.85**		**Regression Weight**	**C.R.**	**p**	**Reliability**
re1	<=	Reliability	0.30	9.81	0.00	0.09
re2	<=	Reliability	0.86	7.10	0.00	0.73
re3	<=	Reliability	0.74	8.62	0.00	0.55
re4	<=	Reliability	0.94	3.56	0.00	0.89
re5	<=	Reliability	0.78	8.43	0.00	0.61

Error terms e3 and e5 were slightly covaried as they were similar in terms of focus (i.e. e3 and e5 for the degree that you expect the store will do what it says it will do). Table 5.10 lists the other measurement values for the *reliability* dimension as calculated using the AMOS (Arbuckle, 1999) software. Although only four of the five items standardised regression weights were above 0.40, the item "the store usually has what I want" was kept in the analysis due to the existence of such a measure in existing retail service quality studies (Dabholkar et al. 1996), and the replication nature of the study. All CR values were greater than 1.96 indicating acceptability of the items, and all correlations were significant and less than 0.90 (Table 5.11).

Table 5.11 – Reliability dimension scale item correlations

Correlations

		re1	re2	re3	re4	re5
re1	Pearson Correlation	1	.274**	.339**	.266**	.223**
	Sig. (2-tailed)	.	.000	.000	.000	.002
	N	197	197	197	197	197
re2	Pearson Correlation	.274**	1	.636**	.808**	.660**
	Sig. (2-tailed)	.000	.	.000	.000	.000
	N	197	197	197	197	197
re3	Pearson Correlation	.339**	.636**	1	.696**	.706**
	Sig. (2-tailed)	.000	.000	.	.000	.000
	N	197	197	197	197	197
re4	Pearson Correlation	.266**	.808**	.696**	1	.740**
	Sig. (2-tailed)	.000	.000	.000	.	.000
	N	197	197	197	197	197
re5	Pearson Correlation	.223**	.660**	.706**	.740**	1
	Sig. (2-tailed)	.002	.000	.000	.000	.
	N	197	197	197	197	197

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

The second stage in the analysis of the measurement models was to determine the fit index values of the four dimensions. Fit indices were calculated for each of the models (except *problem solving* as it only had three scale items as a minimum of four items are required to provide relevant fit indices as with three scale items the number of distinct sample moments (6) equals the number of distinct parameters to be estimated (6) and therefore zero degrees of freedom (6 - 6)) using AMOS (Arbuckle, 1999) software. As indicated in Table 5.12 multiple fit indices for all models indicated excellent fit of the data to the theorised one factor models (Kline, 1998).

Table 5.12 – Fit indices for the theorised dimensions of retail service quality

Dimension	**χ^2**	**df**	**Normed χ^2**	**GFI**	**AGFI**	**TLI**	**RMSEA**	**AIC**	**SRMR**
Physical Aspects (6 items)	**12.8**	**7**	**1.82**	**0.98**	**0.94**	**0.97**	**0.065**	**40.8**	**0.0327**
Personal Interaction (6 items)	**16.9**	**8**	**2.12**	**0.97**	**0.93**	**0.98**	**0.075**	**42.9**	**0.0251**
Problem Sovling (3 items)	**0.0**	**0**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Reliability (5 items)	**8.8**	**4**	**2.20**	**0.98**	**0.93**	**0.98**	**0.078**	**30.8**	**0.0302**

5.2.5 – Discriminant analysis

Although the literature cited in Chapter 2 supports the proposed modelling of the retail service quality using the three dimensions, two additional tests were run to further check that these individual dimensions were separate and distinct. The first was to use conduct principal component analysis (PCA) on each of the pairs of dimensions (i.e. PA/PI; PI/PS; PA/PS) in order to corroborate the position that each of the scale items best represents a measure of its specific dimension (Churchill & Iacobucci, 2005). This analysis (using SPSS 12.00) indicated that all items loaded correctly, and solely on the theorised factor as shown in Table 5.13.

Table 5.13 – Principal component analysis – pair-wise analyses of three dimensions

Physical Aspects/Personal Interaction			Physical Aspects/Problem Solving			Personal Interaction/Problem Solving		
Item	PI	PA	Item	PS	PA	Item	PS	PI
pa1	0.416	0.671	pa1	0.442	0.670	pi1	0.315	0.823
pa2	0.302	0.495	pa2	0.241	0.539	pi2	0.286	0.874
pa3	0.209	0.545	pa3	0.146	0.565	pi3	0.245	0.804
pa4	0.210	0.734	pa4	0.094	0.770	pi4	0.314	0.769
pa5	0.248	0.766	pa5	0.180	0.785	pi5	0.263	0.852
pa6	0.178	0.763	pa6	0.191	0.741	pi6	0.475	0.638
pi1	0.839	0.274	ps1	0.905	0.171	ps1	0.835	0.317
pi2	0.876	0.264	ps2	0.905	0.152	ps2	0.832	0.325
pi3	0.797	0.246	ps3	0.632	0.392	ps3	0.742	0.213
pi4	0.772	0.309						
pi5	0.841	0.278						
pi6	0.682	0.392						
Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalizatior			Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalizatior			Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalizatior		

The second verification test was to run a correlation analysis between the three factors. As shown in Table 5.14 each was significant and below 0.90, thus indicating discriminant validity between the three theorised dimensions.

Table 5.14 – Retail service quality dimensions correlations

Correlations

		pa	pi	ps
pa	Pearson Correlation	1	.653**	.533**
	Sig. (2-tailed)	.	.000	.000
	N	197	197	197
pi	Pearson Correlation	.653**	1	.652**
	Sig. (2-tailed)	.000	.	.000
	N	197	197	197
ps	Pearson Correlation	.533**	.652**	1
	Sig. (2-tailed)	.000	.000	.
	N	197	197	197

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

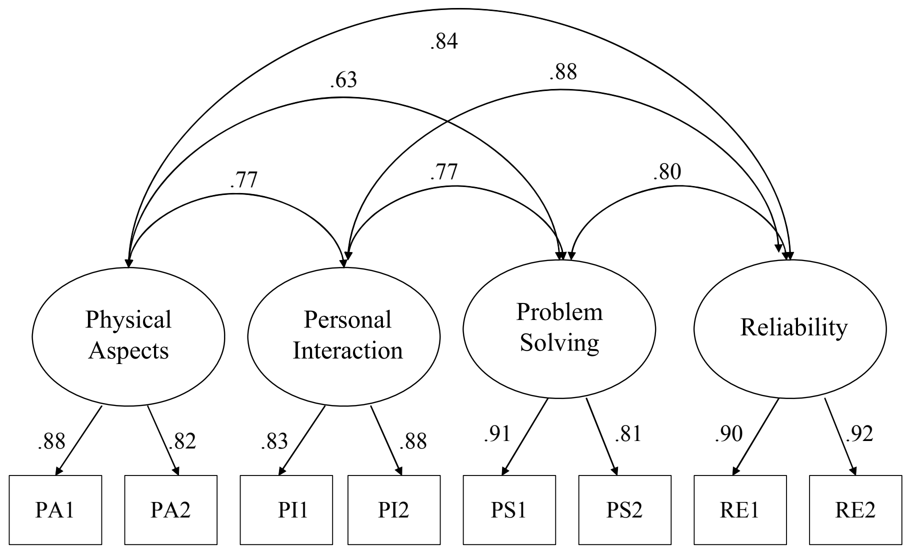
With confidence that the individual dimension scales strongly represent their respective latent dimension of retail service quality, the next step was to test the four factor model, model of the basic dimensions as theorised in Chapter 3, and the first-order, three factor alternative.

As noted, for this stage in the analysis, partial disaggregation was utilised in the modeling process. The loading of the individual items (i.e. total disaggregation) on each of the proposed dimensions would be difficult due to random error at the individual item level (Bagozzi & Heatherton, 1994), while total aggregation of all items would not provide the ability to test for test the model factor structures (see pg. 9 – Dabholkar et al. 1996).

5.2.6 - Four versus three dimensions of retail service quality

The first model analysed was the four factor model including a *reliability* dimension. As noted, although its inclusion has been debated in the literature (Dabholkar et al. 1996; Kim & Jin, 2002), the testing of the data to a four-factor model would serve as a comparison to the theorised three-factor model. The four-factor model was fit to the data using the AMOS software, and as shown in Figure 5.5, the factor loadings, and covariance, appear acceptable.

Figure 5.5 – Four-factor replication model of retail service quality



KEY: PA1=pa1+pa4+pa3; PA2=pa2+pa5+pa6; PI1=pi1+pi2+pi6; PI2=pi3+pi4+pi5; PS1=ps1+ps3; PS2=ps2; RE1=re1+re2+re5; RE2=re3+re4

In contrast, there are concerns with the fit indices (see Appendix 5.1 for definitions) as shown in Table 5.15, particularly the closeness of fit error of the root mean square error of approximation (RMSEA) at 0.127. This fails to meet the general benchmark (RMSEA, <0.08), or the degree that the data is "good" in the population (Byrne, 2001). Furthermore the "absolute fit" of the model as measured by the normed Chi-square value was above the recommended cut-off value of 3.0 at 4.16, and the adjusted goodness of fit index (AGFI) was below the closeness of fit level of 0.90 at 0.84.

Thus based primarily on the poorer statistical fit but also by the issues raised in the literature about the relevance of a *reliability* dimension in environments with less advanced technology, affluence, and competition (Malhotra et al. 1994), the reliability factor was eliminated from further study. The remainder of the analysis focuses on the three dimension model of retail service quality.

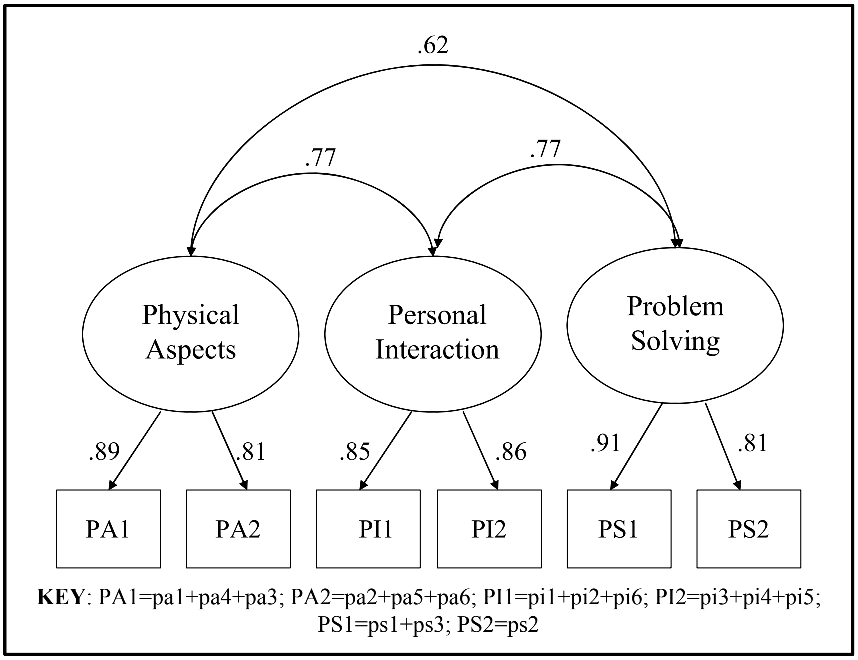
Table 5.15 – Study 1: Fit indices of theorised retail service quality models

Retail service quality model	χ^2	df	Normed χ^2	GFI	AGFI	TLI	RMSEA	AIC	SRMR
Four-Factor (20 items): First order model	58.3	14	4.16	0.94	0.84	0.93	0.127	102.3	0.0297
Three-Factor (15 items): First order model	8.1	6	1.35	0.99	0.95	0.99	0.042	38.1	0.0170
Three-Factor (15 items): Second order model	9.5	9	1.06	0.98	0.96	0.99	0.018	33.5	0.0202

The data was re-run using AMOS software for the theorised three factor model. Figure 5.6 presents the factor loadings and covariance of the three factors, and the fit indices are found in Table 5.15 (see Appendix 5.1 for definitions) indicate excellent fit of the data to the model (Kline, 1998). The overall model is supported by the statistical tests. The "absolute fit" of the model as measured by the normed Chi-square value was below the recommended cut-off value of 3.0 at 1.35, and the goodness of fit measures were acceptable, with the GFI=0.99, AGFI=0.95 and TLI=0.99. There was no evidence of a misfit between the data and the model, with the RMSEA=0.042, which is appropriately below the benchmark of 0.08 (Byrne, 2001).

The implications of these findings are that the data supports the position that Estonian consumers evaluate retail service quality at a dimensional level, as defined by *physical aspects, personal* *interaction,* and *problem solving* measures using Western based items to represent the dimensions.

Figure 5.6 – Three-factor first order replication model of retail service quality

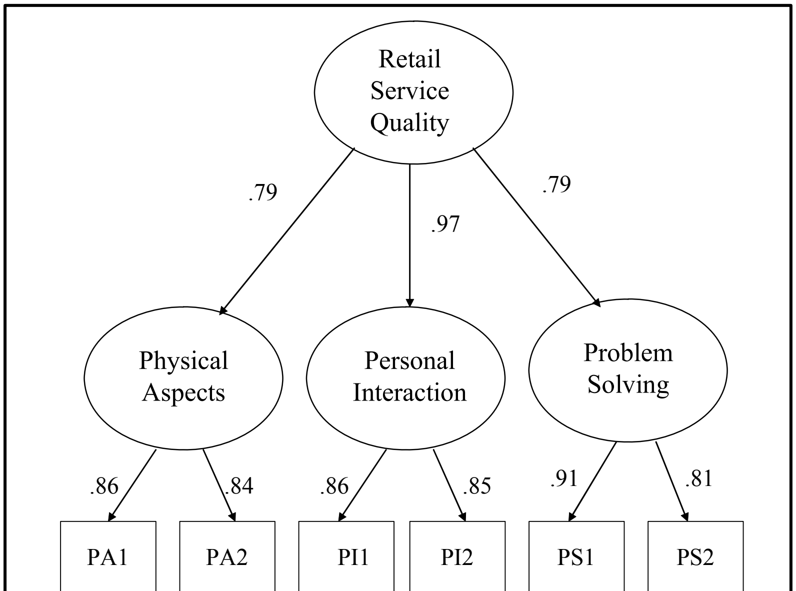


5.2.7 - Testing for a second order model of retail service quality

The third step in the analysis was to determine whether the theorised three factors of retail service quality could be modeled as a second-order factor model, or do Estonians perceive retail service quality at both the individual and overall level (Dabholkar et al. 1996). The same dimensions and scale items were again analysed using the AMOS (Arbuckle, 1999) software. The second order model was tested and as shown in Table 5.15, and Figure 5.7.

The overall model is supported by the statistical tests. The "absolute fit" of the model as measured by the normed Chi-square value was below the recommended cut-off value of 3.0 at 1.06, and the goodness of fit measures were acceptable, with the GFI=0.98, AGFI=0.96 and TLI=0.99. There was no evidence of a misfit between the data and the model, with the RMSEA=0.018, which is appropriately below the benchmark of 0.08 (Byrne, 2001).

Figure 5.7 – Three-factor second order replication model of retail service quality



KEY: PA1=pa1+pa4+pa3; PA2=pa2+pa5+pa6; PI1=pi1+pi2+pi6; PI2=pi3+pi4+pi5; PS1=ps1+ps3; PS2=ps2

Thus, the overall fit indices of the second order model, and the factor loadings, and covariance, were deemed acceptable, indicating that Estonian consumers, using Western scale measures, also evaluate retail service quality at a higher level.

5.2.8 - Predictive validity

The final analysis of the Study 1 data was to determine the predictive validity of the Study 1 retail service quality scale (Kachigan, 1991; Dabholkar et al. 1996), and the relationship of retail service to shopping behaviour. As in the Dabholkar et al. (1996) study one way in which to assess predictive validity is to calculate simple correlations between the theorised dimensions and customer loyalty measures. Table 5.16 shows that the composite measure of retail service quality (i.e. the average of the three theorised dimensions) and each of the individual dimensions are able to predict different facets of customer loyalty. All measures of retail service quality are statistically significant (at the 0.01 level) correlated with the three different aspects of customer loyalty.

Table 5.16 – Study 1: Correlations of predictive validity – Customer store loyalty

	Number of Items	Predictive Validity with Correlations cl1	cl2	cl3
Retail Service Quality	15	0.480 *	0.613 *	0.569 *
Physical Aspects	6	0.491 *	0.599 *	0.548 *
Personal Interaction	6	0.415 *	0.508 *	0.489 *
Problem Solving	3	0.348 *	0.493 *	0.446 *

Key: cl1 You plan to shop there (again) in the next 6 months
cl2 You plan to recommend this store to others in the next 6 months
cl3 You have a feeling of loyalty to this store
* significance p<.01

5.2.9 – Discussion of retail service quality items

The scale items that were chosen to represent the three dimensions of retail service quality were all drawn from the existing literature. As noted, these items had been developed in the West, based on Western retail practices. The *physical aspects* scale items aligned well with previous studies in terms of representing this dimension. One item that differed in terms of previous research was the inclusion of an item relating to having products available within this dimension. The item “The store is rarely out of stock on items” is analogous to earlier research that has placed this item in the *reliability* category, but was deemed more relevant as a *physical aspects* measure to Estonians due to the tangible focus of product being in stock in comparison to the communist period of chronic product shortages rather than the store’s role in ensuring in stock positions (Robinson, 1998).

For the *personal interaction* dimension, there were some other alterations in terms of items assigned. The item “When a customer has a problem this store shows a sincere interest in solving it” was a *problem solving* item in the research of Dabholkar et al. 1996, a *reliability* item in the research of Ellis et al. 2003, and a *personal attention* item in the work of Kim an Jin, 2002. The analysis slotted the item within the *personal interaction* dimension as it is suggested that this item is an example of the intent of the action of problem solving, versus the actual solving of problems. Finally, the *problem solving* dimension mirrored the Dabholkar et al (1996) research as being represented by a limited number of items. The study also lent support to that position, but also represented a source for further study.

5.2.10 - Conclusions – Study 1 – Replication research

In brief, Study 1 involved the testing of existing scale items of retail service quality within a model structure as suggested by the research literature. Based on the Estonian sample data, it appears a Western lens was appropriate as a first approximation for understanding the factor level dimensions of the construct, or the consistency of the three theorised factors as indicators of retail service quality (Ping, 2004). The findings of Study 1 confirm the idea that there is a construct termed retail service quality that is relevant to Estonians, and that Estonians evaluate service at both a dimension and overall level.

5.3 – Study 2 – Qualitative research with Estonian concepts

For Study 1, existing scale items were drawn from the retail service quality literature, but based on cited differences in culture between people in developed and transition economies, a gap in the inclusiveness of existing retail service quality scale items defining the construct from an Estonian perspective existed. Qualitative methods were determined to best address this gap, due to the less structured nature of the research techniques, with the result being a way to capture how Estonian consumers understand, and interpret, retail service variables (Craig & Douglas, 2001). The findings of the three qualitative methodologies used for this purpose are reviewed.

5.3.1 – Critical incident technique

As presented in Chapter 4, the selection of the qualitative research methodology of critical incident technique (CIT) was to capture descriptions of *good* and *bad* service experiences from Estonian consumers. The email survey resulted in a sample of 78 completed questionnaires. Based on gender, there were 51 (65%) responses from females and 27 (35%) from males, and by age, 49 were under 30 (63%), 19 over 30 (24%) and 10 (13%) did not provide an age. There were a total of 269 critical incidents, 153 classified by the respondents as *good* incidents, and 116 *bad* incidents. As suggested by Stauss (1993), the data is best analysed using a three step process. This involves a classification and categorisation of the incidents; confirmation of the data classification; and data interpretation.

Initially, the incidents were sorted into groups with similar topics, and categorised in a systematic process by employing content analysis (Nyquist et al. 1985; Mason, 1996; Stauss & Weinlich, 1997). The guiding framework for the categorisation of the data was the identification of the theorised three dimensions of retail service quality as supported by the literature and the findings of Study 1 (i.e. *physical aspects, personal interaction, and problem solving*). Additionally, a fourth category, *other,* was included to capture those incidents that were judged to fall outside of the three factors, or outside of service quality as supported by the research literature.

In a CIT study, the data itself can be used to guide development of the groupings and the grouping names (Hare, Kirk, & Lang, 2001). An aim of Study 2 was to probe, investigate and expand on the meaning and interpretation of actual service experiences by actual Estonian consumers; therefore the three previously-identified factors of retail service quality, and the classification of the critical incidents into these categories, was judged to be acceptable.

The critical incidents were categorised by the author and placed into one of the four categories. In order to improve the validity of this process, independent judges were also solicited to evaluate the initial classification (Cunningham et al. 2000). The judges were briefed on the objective of the study and asked to participate in this task. Two Estonian based academics and one North American academic agreed to take part. Initial consensus was almost complete, and for those items where disagreement occurred, resolution was achieved by discussion (Friman & Edvardsson, 2003).

The next step in the CIT process was an initial interpretation of the data. Not all critical incidents were classified into the proposed three factors. For example, responses such as *No good experiences, Hate shopping, and No bad experiences/don't like shopping*, were eliminated for further analysis, as they did not fit the definition of a critical incident. The *Low/reasonable prices and High priced products items* were also removed, because as reported in the literature, price is not part of service quality (Dabholkar et al. 1996), but part of shopping behaviour (Brady & Cronin, 2001). Similarly, comments about *Product quality* and *Poor quality products* categories, which are measures of merchandise quality and not retail service quality, were also excluded (Wheatley, Chiu, & Goldman, 1981). Finally, there were additional critical incidents that fell outside the realm of service quality, such as *Multiple payment options/loyalty cards, No payment options, Free parking/no free parking*, which would be considered within the previously discussed policy debate and eliminated in terms of further analysis (Berry et al. 2002). The remaining 236 critical incidents, by factor classification, and as indicative of positive or negative retail service, are shown in Table 5.17.

The second stage of the data classification process was to select those incidents that were best representative, or most significant, of how Estonian respondents perceived critical incidents of retail service. A total of 17 types of critical incidents were retained, as they represented more than 90% of total responses. This cut-off point was arbitrarily chosen, but if a service incident fell outside of this range there was reason to question whether the incident was *critical* to a consumer in the evaluation of a retail service encounter. The 17 types of critical incidents were then grouped into categories of related incidents.

Table 5.17 - Summary of Estonian critical incidents and factor classification

Critical Incidents	**Physical Aspects**	**Personal Interaction**	**Problem Solving**	**Positive (+) /*Negative (-)***
Knowledgeable/competent staff/offer recommendations		36		(+)
Smiling/friendly/polite		29		(+)
Staff kindness/helpful		13		(+)
Not coming up right away to offer assistance/not pushy		12		(+)
Staff being available		8		(+)
Empathetic		7		(+)
Extraordinary service (one offs/out of ordinary)			5	(+)
Smooth returns process/problem solving			5	(+)
Staff can find product for you quickly			4	(+)
Fast service		4		(+)
Treated with respect		3		(+)
Product selection/in stock	3			(+)
Patience		2		(+)
Physically nice store	2			(+)
Finding products yourself	1			(+)
Impolite/rude staff		29		*(-)*
Uncaring/disinterested/dour staff		27		*(-)*
Incompetent/unknowledgeable staff		17		*(-)*
Poor product selection/can't find products/out of stock	9			*(-)*
Poor returns/exchange process			6	*(-)*
Slow service			5	*(-)*
Lack of staff		4		*(-)*
Incorrect change given		2		*(-)*
Crowded store/physically unpleasant	2			*(-)*
Inequitable service		1		*(-)*
Totals:	17	194	25	

For example, *good* incidents such as *smiling/friendly/polite* and *staff kindness/helpful* were joined together, as well as the equivalent *bad* incidents of *impolite/rude staff*. This final classification process resulted in ten categories of retail service quality. Table 5.18 lists these groupings.

Table 5.18 – CIT groupings and retail service quality factor classification

	Factor	Critical Incidents for Scale Development	Cumulative percentage
1	Personal Interaction	Smiling/friendly/polite	30.08%
	Personal Interaction	Staff kindness/helpful	
	Personal Interaction	Impolite/rude staff	
2	Personal Interaction	Knowledgeable/competent staff/offer recommendations	52.54%
	Personal Interaction	Incompetent/unknowledgeable staff	
3	Personal Interaction	Empathetic	66.95%
	Personal Interaction	Uncaring/disinterested/dour staff	
4	Personal Interaction	Staff being available	72.03%
	Personal Interaction	Lack of staff	
5	Physical Aspects	Product selection/in stock	77.12%
	Physical Aspects	Poor product selection/can't find products/out of stock	
6	Personal Interaction	Not coming up right away to offer assistance/not pushy	82.20%
7	Problem Solving	Smooth returns process/problem solving	86.86%
	Problem Solving	Poor returns/exchange process	
8	Personal Interaction	Slow service	88.98%
9	Problem Solving	Extraordinary service (one offs/out of ordinary)	91.10%
10	Problem Solving	Fast service	92.80%

The purpose of the CIT research technique was to capture descriptions of how Estonian subjects remembered or interpreted a retail experience, (Roos, 2002). The goal was to determine whether there were transition economy incidents of retail service quality not currently addressed in the retail service quality literature (i.e. emic measures). Based on the CIT findings, there is support that the way in which positive and negative retail service experiences are perceived by consumers in Estonia both mirrored in, and contrasted against, those in the extant literature.

In brief, at the scale item level, the assortment of incidents echoed many of the same measures of retail service quality found in the research literature (Rinne & Swinyard, 1995; Dabholkar et al. 1996), but the dominance of *personal interaction,* particularly incidents that related to store salespeople, was of interest. From a retail practice perspective, almost 75% of all critical incidents related to the *personal interaction* factor, and suggests the role of store staff in representing retail service quality (both positive and negative) dominates the other two factors of *physical aspects,* and *problem solving* measures.

Prompt efficient service and its relationship to perceptions of positive retail service quality was previously supported in the literature (Westbrook, 1981; Dabholkar et al. 1996; Kim & Jin, 2002), but the degree that the cited incidents identify and capture changes in the expectations of Estonian consumers to express their desire for overt personal displays of deference by the retailer to the customer, indicate a distinct change from the earlier Soviet period. Additionally, comments pertaining to salesperson expertise, in terms of knowledge and ability to recommend, may indicate that Estonian retailers may have difficulties in providing this level of service based on the historic lack of skills/training in this area. Finally, the explanation for the limited number of critical incidents (in comparison) that related to the *physical aspects,* and *problem solving* measures of service could be tied to the degree that Estonians have been exposed to/become aware of, Western examples of customer service – through an increased access to Western media and Western retail experiences – where retail salespeople arguably perform better in these areas, and not necessarily a lesser relevance of *physical aspects,* and *problem solving* items in how retail service quality is defined. The additional qualitative research methods help to address this position.

5.3.2 – Focus groups

The second phase of Study 2 was to provide a wider perspective for the understanding of the factors and indicators of retail service that were important to Estonian consumers through the use of focus groups. The sessions involved a series of probing questions aimed at expanding upon the research literature and the findings of the CIT research. The questions were asked in such a way as to provoke a dynamic and interactive context in order to increase the depth of understanding of the three theorised factors of retail service quality from an Estonian perspective. This section reviews the findings of the six sessions that were held, with the descriptive characteristics found in Table 5.19.

Table 5.19 – Estonian focus group sessions

		Session	
Tallinn, Estonia	**1**	**2**	**3**
Number of Partipants	4	6	4
Age (< 30, >40)	<30	<30	>40
Gender Female/Male	3/1	3/3	2/2
Language of Session	English	Estonian	Both
		Session	
Tartu, Estonia	**4**	**5**	**6**
Number of Partipants	7	5	5
Age (< 30, >40)	<30	>40	<30
Gender Female/Male	4/3	5/0	5/0
Language of Session	English	Estonian	Both

There are a number of ways to review focus group data as discussed in the literature (Krueger, 1994; Carson et al. 2001; McDaniel & Gates, 2004). The consensus recommendation is that some form of systematic approach should be used (Krueger, 1994; Ereaut, 2002), as the aim is to have verifiable, focused, and practical, findings. For this research, note-based analysis was selected (Krueger, 1994; Miles & Huberman, 1994; Goodyear, 1998). The analysis of the focus group comments was based on the session notes, debriefing sessions with the moderators, and referencing to the transcriptions of the session tapes (Griggs, 1987; Goodyear, 1998).

The analysis process involved the review of participant quotations in order to interpret the indicators of service quality in Estonian consumer terms. Furthermore, although the focus group information presented here is detailed, it has been included as it is the first known empirical investigation into the issues of retail service quality in Estonia. Comments judged to be relevant to each of the three theorised retail service quality factors are reviewed in turn.

The first dimension, or first theme of the analysis, was *physical aspects*. Within the analysis of the session comments, the first sub-theme related to the significance of the physical layout of a store. Based on the extant literature, for an Estonian shopper the ability to find the product was proposed to be more important than the ease of search because of a greater history of product shortages (Kovrig, 1999). This sense of self-sufficiency in shopping was suggested by comments that related to the activities that Estonian shoppers would do in terms of searching for products:

- "look up may have maps, signs; second choice is I see a shop assistant"(Female >40)

(Source: field notes – Session 3)

- “go and check, maybe I can’t find it, then if still can’t find will go and ask” (Male <30)

(Source: field notes – Session 2)

- “usual to not find product, I am used to it - look around myself, then if can’t find it I will ask staff, I wouldn’t be frustrated” (Male <30)

(Source: field notes – Session 1)

The second sub-theme in the area of *physical aspects* related to in-stock positions. Because stock-outs are of increasing importance in terms of judging retail service performance in the West (Taylor & Fawcett, 2001), and product shortages were chronic in Estonia during the Soviet period, a better understanding of their impact on service quality was of interest:

- “if I don’t find product I will look in other shop, I do not get mad” (Male >40)

(Source: field notes – Session 3)

- “because of our past, we never had products, so we are just happy to have, any product even though this is out, there is another kind of product” (Male <30)

(Source: field notes – Session 4)

Related to the responses with respect to stock-outs, was the sense that unlike in Western markets, even if the store was out of stock, the assignment of blame or responsibility for the stock-out (Schary & Becker, 1978) was not directed at the store:

- “if product missing one day, what are the reasons – are they not selling this, or maybe better product now” (Female >40)

(Source: field notes – Session 3)

- “no, if it’s just gone out, or if gone out and ordered more” (Female <30)

(Source: field notes – Session 6)

The implication of this finding is interpreted as Estonians, although wishing to assert more independence in the role of shopping, continue to give deference to those in authority when something outside of the control of the customer occurs.

The second theme of the focus group sessions related to the *personal interaction* dimension of retail service quality. Within this dimension, sub-themes including the role of politeness, courtesy, authority and expertise and knowledge of store staff were prevalent. With respect to the expected role of the store staff, one stream of opinions focused on an expectation that the salesperson was the retail expert, and that the salesperson should be able to tell the customer what to buy, and why:

- "an expert salesperson, is competent - a consultant, they know about you, show you different options" (Female <30)

(Source: field notes – Session 1)

- "salesman should be the expert - I want 100% assurance, more expertise" (Female >40)

(Source: field notes – Session 5)

In contrast other comments suggested that the role of the salesperson should be analogous to being the shopper's servant. The shopper was the expert, and they know what they want, and it was the salesperson's role to do what the shopper wanted, to show them respect:

- "they should be thankful I am bringing money to the store" (Female >40)

(Source: field notes – Session 5)

- “the client is paying your wages – if we don’t shop, you have no job and that is how you should act” (Female <30)

(Source: field notes – Session 4)

- “polite, helpful; don’t treat customers as stupid person” (Male <30)

(Source: field notes – Session 2)

- “store is interested in me – show they care about me – pay attention” (Female <30)

(Source: field notes – Session 6)

- “they don’t know the basics, being polite, saying thank you, hello” (Female <30)

(Source: field notes – Session 1)

What was of interest in how *personal interaction* variables should be defined for Estonian consumers, was the lack of acknowledgement by the focus group participants of the apparent paradox of expecting sales staff to be both experts, as well as acting with authority. In addition, an expectation of store staff deference to the customer in terms of overt acts of politeness and courtesy reflects differences in terms of segmentations of the Estonian population in terms of service expectations.

The sub-theme findings related to the third dimension, *problem solving*, focused on the process of returning or exchanging products. There was a sense that a store’s willingness to take back products was interpreted by a number of participants as an important part of service quality, but only within certain situations. If the product the consumer purchased was broken or defective the store should exchange it. But if the shopper made a poor personal choice (i.e. colour, size, did not like it), the store should not have to exchange the good:

- “is it my fault, shop fault, or product fault, very rarely to change product if my fault” (Female <30)

(Source: field notes – Session 4)

- “depends whether it is a mistake or if I’m not satisfied with product – if I’m not happy that’s okay, but if something is wrong, I go back” (Female >40)

(Source: field notes – Session 5)

- “Should only give money (back) if manufacturers fault – (Male <30)

(Source: field notes – Session 2)

These types of comments were unexpected, as the sense of personal responsibility in making correct purchase decisions was not found in the known retail literature and these findings were interpreted as an example of shopping behaviour that may have a cultural basis that differs from the West as a result of the former Soviet period. The interpretation was that since Estonian shoppers now had greater freedoms in terms of product availability and choice (in comparison to the Soviet period) there was a sense of responsibility in making correct choices oneself, and having to deal with the consequences of arguably poor choices.

Finally, in order to better understand if the expectation that the participants had with respect to returning or exchanging of products, the remarks centred on having a formalised system. It was viewed that it was in the store’s own interest to have a formalised system to handle product returns and exchanges, because if there were not, the customer would address the situation by directing their concerns to the authorities:

- “any time customer has problems, some system to have answers to your questions – it shouldn’t be surprising to them – should have system “ (Female <30)

(Source: field notes – Session 6)

- “do I have to go to Consumer Protection - these laws are quite tough – determine who’s at fault” (Male <30)

(Source: field notes – Session 2)

- “surprised to read in newspaper about what store is supposed to do, versus what the store does, versus what people in the store know – they usually don’t tell you about the Consumer protection regulations – guarantee has specific requirements you must follow” (Female >40).

(Source: field notes – Session 3)

In brief, the findings of the focus group sessions helped to both give additional support for many of the existing measures of retail service quality found in the retail service quality literature, and the findings of Study 1, but also indicated that there are non-trivial differences with respect to how the three theorised factors of retail service quality should be interpreted. For the first theorised dimension, with respect to *physical aspects* measures, there was evidence that the speed of shopping was offset in importance by ensuring shopper self sufficiency, and that having general product availability was more important than specific product availability.

For the *personal interaction* dimension, measures that highlight the importance of overt sales person acts of respect and courtesy, but also demonstrating knowledge and authority were of interest. Finally, for the third dimension, *problem solving* measures that indicate the existence of formalised product returns and exchange procedures are more important than processes that are general and more flexible as Estonian consumers are willing to take personal responsibility for making correct purchase decisions.

5.3.3 - Interviews

The third qualitative method was the semi-structured interviews with retail service providers. The aim was to better understand how Estonian retailers interpreted the service quality concept.

Interview 1 was with two directors of an Estonian department store. They were asked to share their thoughts on the role of retail service quality in general, within Estonia. Their comments suggested the delivery of superior service quality in Estonia is important. They saw their store as performing very well in terms of service quality, based on regular customer surveys the store conducted. When queried as to how the service quality measures were developed, the interviewees were unsure. They stated this function was outsourced to a third party research firm that administered, analysed, and presented the findings.

The major input to this study from Interview 1 related to the *physical aspects* factor measure of having products in-stock. Although the directors acknowledged that being out of stock was not a positive retail practice, they did not view in-stock positions as being of importance in delivering service quality. Their responses mirrored the focus group comments as to the inability to improve the in-stock positions, as it was outside of their control (i.e. it was the supplier/manufacturer’s responsibility).

The second interview was with the owner of two small automotive parts stores. In contrast to the focus of the first interview, Interview 2 centred on the retail owner's interpretation of the role of service quality as it pertained to Estonia. The owner stated that service quality existed in Estonia as a *broad term*, but that Estonian consumers, from his perspective, did not view providing *superior* service quality as critical to retail success:

- "Estonians don't demand good service, as they don't complain, or like to say too much at all".

(Source: field notes – Interview 2)

When asked to clarify this assertion, the answer related to Estonian culture:

- "It is the Estonian character not to complain, as if one stands in a store and yells and screams, their only concern is someone in the store will know you. Estonians don't want to be the focal point, they may complain privately at home, but not in the store".

(Source: field notes – Interview 2)

The store owner was asked to provide additional insight as to why Estonians would not complain if they were not happy with the service. The reason given was that there is a sense of resignation that complaining had no value. The retailer explained that managers in Estonia were very protective of their salespeople, as the manager was most likely the one responsible for hiring the salesperson. Therefore, if someone complained about the service, it was taken as a personal insult:

- "Basically the customer who complains is saying you are stupid for hiring them".

(Source: field notes – Interview 2)

When probed if this point was a holdover from the Soviet period, the retailer stated that during the Soviet period the person would not complain because they feared bringing attention to themselves, often with dire consequences. That fear is now gone, but the belief that nothing would be done in response was the main reason. The retailer stated that older customers, who had an intimate knowledge of product shortages, rarely complained because they were satisfied with being able to have products available. In contrast, younger consumers did not complain because they were always in a hurry, and did not have the time to complain about poor service.

In brief, the input from the service provider interviews increased the breadth and depth of the understanding of Estonian perspectives of retail service quality. The findings of the first interview suggested that Estonian retailers see measuring consumer perceptions of their service as being important to retail success, while the second interview intimated that how service is evaluated continues to be influenced by the pre-transition period (Schwartz & Bardi, 1997).

5.3.4 – Conclusions – Qualitative research

In conclusion, when taken together the three phases of the qualitative research in Study 2, provided greater insights into the components of retail service quality that are perceived to be of importance to Estonian consumers. The use of three separate research methods allowed for an increased level of confidence that the significant aspects of retail service quality were revealed. This increased confidence and identification of previously unknown retail service quality variables, allowed for the further development and improvement of an Estonian retail service quality scale instrument. Although no qualitative research technique can contend to fully account for all aspects of retail service quality, the fact a level of commonality was evident in the findings helped to deepen the confidence in the understanding of the construct (Cain & Finch, 1981).

Overall, the findings of Study 2 suggest that retail service quality is a relevant construct for examination in Estonia and can be theorised by the three identified factors. The qualitative research findings also highlighted differences between how the concept is interpreted in Estonia, as compared to developed economies as found in the research literature. With respect to measures of the *physical aspects* dimension, existing retail service items that focus on the look and layout of the store were also deemed of relevance to Estonian shoppers, but there was also an expectation for the retailer to allow the shopper to exert their own sense of shopping capabilities and therefore needed to provide self-service tools and information.

For *personal interaction* measures, the findings of Study 2 highlighted the expectation by segments of Estonians that selling staff need to be authoritative in their knowledge and actions, or to show consideration to the new power of the consumer through acts of politeness and courtesy, or both. These findings were interpreted as distinct changes in the role of the customer from the Soviet period. The measures related to the *problem solving* dimension found in Study 2 concurred with the existing literature in terms of offering customers the opportunity to make things right when a problem occurs. The findings also stressed a position that Estonian consumers were willing to accept a degree of responsibility in making product choices and should not expect the retailer to play a role in ensuring that occurs, but that there was an expectation that the retailer would take responsibility for correcting problems that were within their control, and that those responsibilities should be formalised and communicated.

The findings of Study 2 represented the next step in the development and testing of the proposed retail service quality models, by bringing in Estonian or transition economy cultural variables into the analysis as surfaced by Estonians themselves. The findings of Study 2 further strengthened the position that retail service quality is a relevant construct for measuring retail performance from an Estonian perspective, and that the three theorised factors are strong indicators of that performance. Furthermore, Study 2 leant support that there exists a need to include specific retail service measures that are of relevance to Estonian consumers, variables that are appropriate, or differ in context, to those of the West. Thus, the salient points of Study 1 and Study 2 taken together allowed for the development and refinement of a research instrument to test quantitatively and statistically the retail service quality construct.

5.4 – Study 3 – Pilot testing of proposed Estonian retail service quality scale

The purpose of Study 3 was to develop a new survey instrument to model and measure the retail service quality construct in Estonia. As noted, many of the items from the extant literature were deemed appropriate for also measuring the service quality in Estonia, while additional items surfaced from the findings of Study 2.

The findings of both Study 1 and Study 2 did not refute the position of this study, that a multi-factor model of retail service quality consisting of three dimensions labelled *physical aspects,* *personal interaction* and *problem solving,* was theoretically sound. The findings of Study 2 did indicate scale modifications at the individual item level would be beneficial in order to better account for Estonian cultural variables. All fifteen retail service quality items were retained from Study 1, as they were supported by the research literature, and additional items relating to each of the dimensions were then developed.

For the *physical aspects* factor, there was support that the store layout had to be both functional in its self-service aids (i.e. helpful signs, well laid-out), as well as the merchandise displays (i.e. displays have information to assist in shopping activities). Study 2 findings indicated self-reliance capabilities in shopping are important to Estonians.

For the *personal interaction* factor, the role of the salesperson was deemed most important. Salespeople needed to provide both overt displays of deference to the customer (i.e. showing respect), as well as having authoritative knowledge (i.e. ability to make confident suggestions).

For the *problem solving* factor, items that measured the accountability of a retailer in making things right when something under their responsibility occurred (i.e. taking back a defective/damaged product) was deemed important. This was demonstrated by formal product returns and complaint handling procedures (i.e. written policies).

5.4.1 – Preview of retail service quality scales

In total, forty-six (46) retail service quality questions were developed (the 15 from Study 1, plus 31 additional items). As discussed in Chapter 4, the scale items were compiled for each of the three dimensions of retail service quality theorised. Similar items, but with slightly different degrees of meaning were included to increase confidence in the eventual measure (Churchill, 1979). As this was the first known Estonian, emic-based scale of retail service quality, it was determined that arguably redundant questions would be included to address this point. A list of these items can be found in Appendix 5.2. As described in Chapter 4, the sample stores included in the study increased from the original two to five to extend the face, or content, validity of the findings (Clark & Watson, 1995). All five were either department stores or discount/hypermarket stores, and all were located in the capital city of Tallinn. The sample consisted of 135 fully completed surveys; 28 from Store A (Tallinna Kaubamaja), 27 each from stores B (Maksimarket), C (Prisma), and D (Selver), and 26 from Store E (Stockmann). Stores A and E were department stores, and stores B, C, and D, discount/hypermarkets. As in Study 1, a check was made for potential bias based on the store type. A Chi square cross-tabulation based on store type, and the subject response to the store preference question (i.e. “is this your favourite store?”) was calculated. No statistically significant difference was found ($\chi 2 = 0.49$; $p=.482$).

The profile of the sample approximately matched that of Study 1 in terms of male versus female respondents (29% vs. 71%), but had a greater representation of consumer population by age. Of these, 16% were 25 years or under, 45% between 26 and 40, 30% between 41 and 55, and 10% older than 55. As in Study 1, to test for potential age bias in responses based on years shopping as an adult pre and post communist period, a Chi square test comparing the responses of younger (<40) and older (>40) respondents to the question “is this your favourite department store” indicated no statistically significant difference ($\chi 2 = 2.56$; $p=.110$).

Although there are no hard and fast rules for the minimum or maximum number of items in a scale, caution is suggested (Netemeyer et al. 2003). As the estimate of the reliability of the scale, the coefficient alpha (Cronbach, 1951), can be affected by scale length, inter-item correlation, and item redundancy, the first step was to eliminate those items that had poor loadings on the theorised dimensions (i.e. <.50). The second step was to eliminate those items that had been viewed as being redundant in terms of measuring the theorised dimension, and imprecise as indicated by feedback from the Estonian survey administrator and colleague input. For example, "This store is clean and tidy", was viewed as a more overt description of the physical appearance of the store. The item "The displays have plenty of helpful information about the merchandise" was lacking in value to Estonians as they felt they would be the best judge of what the merchandise was, and how to use it, not the store. Also, formalised *problem solving* items were deemed relevant, as well as the aforementioned expectation that the store should only be responsible for refunding/exchanging damaged or defective products. These new and altered items were to provide a greater degree of specificity in terms of actionable problem solving activities that a store would provide.

The end result was seventeen items for further analysis. There were six *physical aspects* items, seven *personal interaction* items, and four *problem solving* items. As in Study 1, the perceptions ratings for each of the items were greater than the mid or neutral point (i.e. >5 out of 10), and once again the responses, as measured by the standard deviations, indicated a diverse set of individual perceptions (McDaniel & Gates, 2004). The scale items and descriptive statistics are found in Table 5.20.

Table 5.20 - Proposed Estonian scale items and related factors of retail service quality (10 point scale: 10 the highest and 1 the lowest)

	Physical Aspects (6 Items)	**Mean**	**Std. Dev.**
pa1	This store is clean and tidy	7.59	1.66
pa2	The merchandise displays at this store look good visually	7.56	1.72
pa3	This store has clean and fresh visual lines of merchandise displays	7.51	1.75
pa4	Self-selection at this store is easy and well guided	7.15	1.51
pa5	This store has a modern look about it	7.09	2.01
pa6	This store is rarely out of stock on items	6.81	1.78
	Personal Interaction (7 Items)		
pi1	Selling staff are always courteous with customers	6.42	1.75
pi2	This store has knowledgeable staff who can answer customer queries	6.36	1.91
pi3	This store treats me with respect	6.35	2.03
pi4	Selling staff are available and quick to help	6.07	2.06
pi5	The employees at this store give you confidence for your shopping	5.96	1.64
pi6	When a customer has a problem this store shows a sincere interest in solving it	5.78	1.94
pi7	This store goes out of its way to solve customer problems	5.48	1.95
	Problem Solving (4 Items)		
ps1	This store willingly provides refunds or exchanges for damaged goods	5.39	1.78
ps2	This store provides a written complaint handling policy	5.17	2.06
ps3	This store provides a written returns and exchange policy	5.01	2.01
ps4	This store provides customers with written returns and exchanges policies	4.57	2.20

5.4.2 – Test of sphericity and sampling adequacy

As in Study 1, prior to moving to the confirmatory factor analysis, the data needed to be checked in order to determine the appropriateness of its use for such analysis (Kline, 1998). The Kaiser-Meyer-Olkin (KMO) and Bartlett's scores were measured, and indicated the data were indicative of a multivariate normal population, and that a factor analysis is a meaningful measure of such data as shown. The KMO range was from 0.78 to 0.91 which is greater than 0.50 indicating the data was acceptable for analysis. Similarly, the Bartlett tests were statistically significant at the 0.01 level indicating acceptable data as shown in Table 5.21.

Table 5.21 – Kaiser-Meyer-Olkin (KMO) and Bartlett's scores

		Bartlett Test of Sphericity	
	KMO	$\chi 2$	Significance
Overall Scale	0.91	1469	0.00
Physical Aspects	0.87	432	0.00
Personal Interaction	0.89	560	0.00
Problem Solving	0.78	224	0.00

5.4.3 – Reliability tests

As suggested by Churchill (1979, p. 68), coefficient alphas should be the first measure to assess the quality of a scale instrument. For the 17-item scale, the alpha was 0.93, indicating the scale items captured the measures of importance to Estonians with respect to service quality within a retail setting. The coefficient alphas for the three proposed dimensions were also above the generally recommended level 0.70 in terms of the strength of association of the scale items (Hair et al. 2003), as listed in Table 5.22.

Table 5.22 – Cronbach Alpha and item-to-total correlations for theorised factors

Overall scale:	17 items: 0.93	Item-to-total correlation range: 0.46-0.78
Physical aspects:	6 items: 0.88	Item-to-total correlation range: 0.58-0.81
Personal interaction:	7 items: 0.91	Item-to-total correlation range: 0.65-0.82
Problem solving:	4 items: 0.84	Item-to-total correlation range: 0.55-0.80

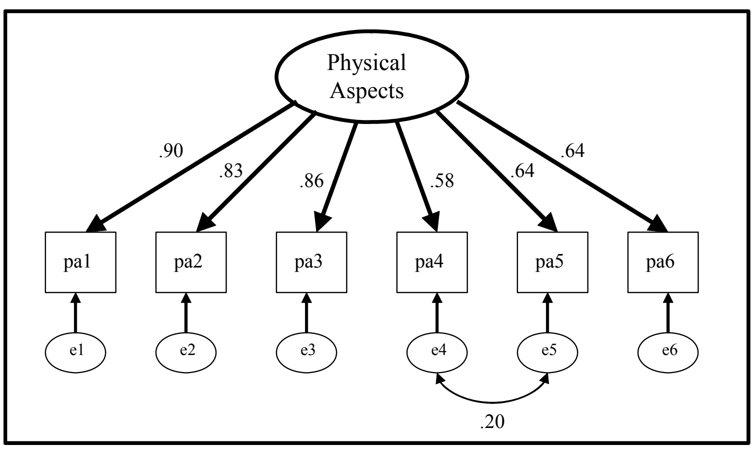
The next step in the data purification was to determine whether the item-to-total correlations fell within an acceptable range. A recommended range of item retention is 0.50 or more has been suggested (Netemeyer et al. 1996), while others have used a minimum of 0.35 (Bearden et al.

2001) in the development of scales. As seen in Table 5.22, the range of items was from 0.46-0.82.

5.4.4 – Convergent validity and confirmatory factor analysis (CFA) testing

The confirmatory factor analysis was conducted on each of the three dimensions, and then using partial diaggregation at the overall model level (Hull et al. 1991; Bagozzi & Heatherton 1994; Dabholkar et al. 1996). Firstly the individual items for the three factor models were checked for their degree of independence. As in Study 1, this was determined by the critical ratios (CR) of the variance of the scale items error terms were calculated (Schumacker & Lomax, 1996).

Figure 5.8 – Physical aspects dimension



The first dimension *physical aspects*, was represented by six items as indicated in Table 5.20, and Figure 5.8. As noted above, the change in items from Study 1 was the addition of the item "The store is clean and tidy" and the removal of the item, "The displays have plenty of information about the merchandise". This change arguably represented an increased focus by the Estonian customers on the overt tangible aspects of the store and less on an expectation of the store providing information about the actual products, something they could do on their own in terms of self sufficiency in shopping. Note that error terms e4 and e5 were slightly covaried as they were similar in terms of focus (i.e. e4 and e5 for the "look of the layout" of the store).

Table 5.23 – Physical aspects measurement model values

Physical Aspects Reliability (α)	**0.88**		**Standardised Regression Weight**	**C.R.**	**p**	**Variable Reliability**
pa1	<=	Physical Aspects	0.90	4.77	0.00	0.82
pa2	<=	Physical Aspects	0.83	6.37	0.00	0.69
pa3	<=	Physical Aspects	0.86	5.97	0.00	0.74
pa4	<=	Physical Aspects	0.58	7.75	0.00	0.34
pa5	<=	Physical Aspects	0.64	7.62	0.00	0.41
pa6	<=	Physical Aspects	0.64	7.67	0.00	0.40

Table 5.24 – Physical aspects dimension scale item correlations

Correlations

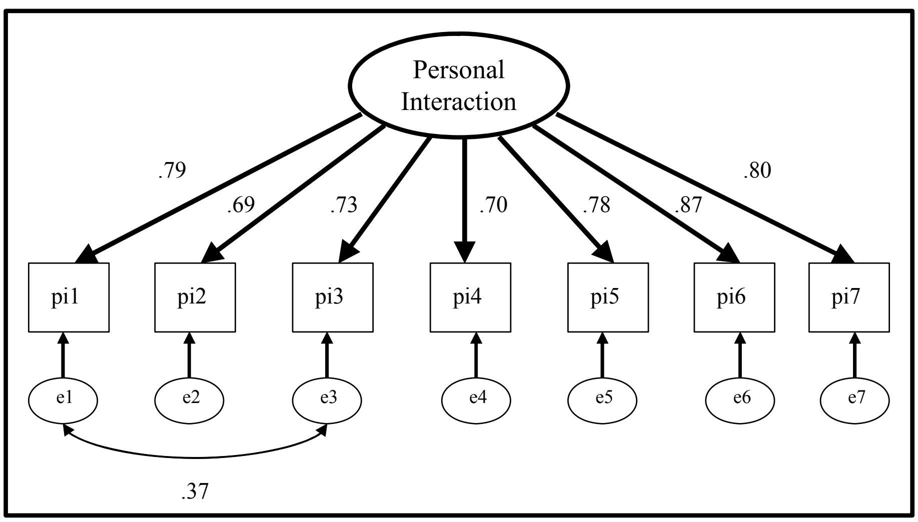
		pa1	pa2	pa3	pa4	pa5	pa6
pa1	Pearson Correlation	1	.746**	.789**	.478**	.572**	.573**
	Sig. (2-tailed)	.	.000	.000	.000	.000	.000
	N	135	135	135	135	135	135
pa2	Pearson Correlation	.746**	1	.686**	.534**	.608**	.514**
	Sig. (2-tailed)	.000	.	.000	.000	.000	.000
	N	135	135	135	135	135	135
pa3	Pearson Correlation	.789**	.686**	1	.508**	.519**	.573**
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000
	N	135	135	135	135	135	135
pa4	Pearson Correlation	.478**	.534**	.508**	1	.494**	.407**
	Sig. (2-tailed)	.000	.000	.000	.	.000	.000
	N	135	135	135	135	135	135
pa5	Pearson Correlation	.572**	.608**	.519**	.494**	1	.327**
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000
	N	135	135	135	135	135	135
pa6	Pearson Correlation	.573**	.514**	.573**	.407**	.327**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.
	N	135	135	135	135	135	135

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

Table 5.23 lists the measurement values for the *physical aspects* dimension as calculated using the AMOS (Arbuckle, 1999) software. All standardised regression weights were above 0.40, and all CR values were greater than 1.96 indicating acceptability of the items. Finally, a correlation analysis (using SPSS 12.00) was conducted, and as shown in Table 5.24, all pair-wise comparisons are significant and less than 0.90.

Again, the second theorised dimension was *personal interaction*. One new item was added to this scale, resulting in seven items as listed in Table 5.20. The new item "This store treats me with respect" although related to the overt sales staff action of being courteous to the customer, highlights the more forthright customer expectations of the sales staff/customer interaction in contrast to the communist period. The model diagram is depicted in Figure 5.9.

Figure 5.9 – Personal interaction dimension



Error terms e1 and e3 were slightly covaried as they were similar in terms of focus (i.e. e1 and e3 represent overt examples of "deference" of store staff to the customer). Table 5.25 lists the measurement values for the *personal interaction* dimension as calculated using the AMOS (Arbuckle, 1999) software.

Table 5.25 – Personal interaction measurement model values

Personal Interaction			Standardised			Variable
Reliability (α)	0.91		Regression Weight	C.R.	p	Reliability
pi1	<=	Personal Interaction	0.79	6.78	0.00	0.62
pi2	<=	Personal Interaction	0.69	7.41	0.00	0.47
pi3	<=	Personal Interaction	0.73	7.16	0.00	0.53
pi4	<=	Personal Interaction	0.70	7.40	0.00	0.49
pi5	<=	Personal Interaction	0.78	6.80	0.00	0.60
pi6	<=	Personal Interaction	0.87	5.56	0.00	0.75
pi7	<=	Personal Interaction	0.80	6.69	0.00	0.64

All standardised regression weights were above 0.40, and all CR values were greater than 1.96 indicating acceptability of the items. The correlation analysis (using SPSS 12.00) is presented in Table 5.26, and all pair-wise comparisons are significant and less than 0.90.

Table 5.26 – Personal interaction dimension scale item correlations

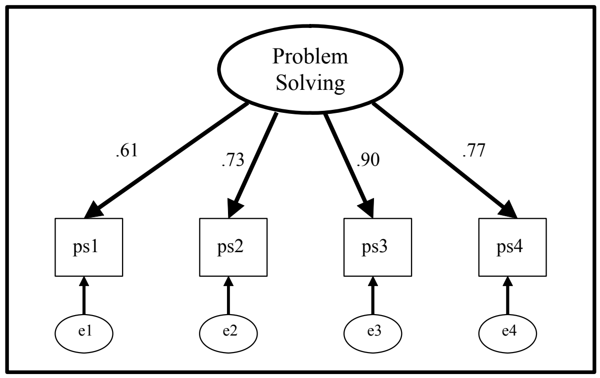
Correlations

		pi1	pi2	pi3	pi4	pi5	pi6	pi7
pi1	Pearson Correlation	1	.494**	.731**	.551**	.631**	.680**	.646**
	Sig. (2-tailed)	.	.000	.000	.000	.000	.000	.000
	N	135	135	135	135	135	135	135
pi2	Pearson Correlation	.494**	1	.479**	.518**	.619**	.574**	.530**
	Sig. (2-tailed)	.000	.	.000	.000	.000	.000	.000
	N	135	135	135	135	135	135	135
pi3	Pearson Correlation	.731**	.479**	1	.462**	.563**	.684**	.538**
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000	.000
	N	135	135	135	135	135	135	135
pi4	Pearson Correlation	.551**	.518**	.462**	1	.552**	.622**	.521**
	Sig. (2-tailed)	.000	.000	.000	.	.000	.000	.000
	N	135	135	135	135	135	135	135
pi5	Pearson Correlation	.631**	.619**	.563**	.552**	1	.623**	.630**
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000	.000
	N	135	135	135	135	135	135	135
pi6	Pearson Correlation	.680**	.574**	.684**	.622**	.623**	1	.720**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.	.000
	N	135	135	135	135	135	135	135
pi7	Pearson Correlation	.646**	.530**	.538**	.521**	.630**	.720**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.
	N	135	135	135	135	135	135	135

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

The third theorised dimension was *problem solving*. A total of four scale items were selected to represent this dimension as shown in Figure 5.10.

Figure 5.10 – Problem solving dimension



One net additional item was added from Study 1 with a focus on the Estonian customer expectation of formalised processes for the handling of customer problems such as returns, exchanges, and complaint handling. Although ps3 and ps4 appear similar, ps4 specifically addresses if the store communicates the written policy by providing a copy of it to their customers. This point relates to the theorised position that Estonian consumers were more amenable with formalised/hierarchical rules and regulations.

Table 5.27 lists the measurement values for the *problem solving* dimension as calculated using the AMOS (Arbuckle, 1999) software, while Table 5.28 presents all pair-wise correlations. All standardised regression weights were above 0.40, and all CR values were greater than 1.96 indicating acceptability of the items. Also, all correlations were significant and less than 0.90.

Table 5.27 – Problem solving measurement model values

Problem Solving Reliability (α)	0.84		Standardised Regression Weight	C.R.	p	Variable Reliability
ps1	<=	Problem Solving	0.61	7.51	0.00	0.38
ps2	<=	Problem Solving	0.73	6.82	0.00	0.53
ps3	<=	Problem Solving	0.90	3.04	0.00	0.82
ps4	<=	Problem Solving	0.77	5.97	0.00	0.60

Table 5.28 – Problem solving dimension scale item correlations

Correlations

		ps1	ps2	ps3	ps4
ps1	Pearson Correlation	1	.385**	.565**	.496**
	Sig. (2-tailed)	.	.000	.000	.000
	N	135	135	135	135
ps2	Pearson Correlation	.385**	1	.662**	.581**
	Sig. (2-tailed)	.000	.	.000	.000
	N	135	135	135	135
ps3	Pearson Correlation	.565**	.662**	1	.691**
	Sig. (2-tailed)	.000	.000	.	.000
	N	135	135	135	135
ps4	Pearson Correlation	.496**	.581**	.691**	1
	Sig. (2-tailed)	.000	.000	.000	.
	N	135	135	135	135

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

In the same manner as Study 1 the second stage in the analysis of the measurement models was to determine the fit index values of the four dimensions. Fit indices were calculated for each of the models using AMOS (Arbuckle, 1999) software.

Table 5.29 – Fit indices for the theorised dimensions of retail service quality

Dimension	χ^2	df	Normed χ^2	GFI	AGFI	TLI	RMSEA	AIC	SRMR
Physical Aspects (6 items)	**14.3**	**8**	**1.78**	**0.97**	**0.91**	**0.97**	**0.076**	**40.2**	**0.0322**
Personal Interaction (7 items)	**23.9**	**13**	**1.84**	**0.96**	**0.90**	**0.97**	**0.079**	**53.9**	**0.0299**
Problem Solving (4 items)	**2.6**	**2**	**1.30**	**0.99**	**0.95**	**0.99**	**0.048**	**18.6**	**0.0216**

Table 5.29 summarises the multiple fit indices for all three indicated excellent fit of the data to the theorised one factor models (Kline, 1998 - see Appendix 5.1 for definitions).

5.4.5 – Discriminant analysis

The support for the modelling of retail service quality as a three factor model again appears to be supported, but two additional tests were again run to check the individual dimensions in terms of being separate and distinct. Principal component analysis (PCA) was again used for this purpose on each of the pairs of dimensions (i.e. PA/PI; PI/PS; PA/PS) in order to corroborate the position that each of the scale items best represents a measure of its specific dimension (Churchill & Iacobucci, 2005). This analysis (using SPSS 12.00) indicated that all items loaded correctly, and solely on the theorised factor as shown in Table 5.30.

Table 5.30 – Principal component analysis – pair-wise analyses of three dimensions

Physical Aspects/Personal Interaction		
Item	PI	PA
pa1	0.253	0.857
pa2	0.374	0.767
pa3	0.304	0.830
pa4	0.421	0.548
pa5	0.486	0.525
pa6	0.089	0.777
pi1	0.829	0.225
pi2	0.684	0.237
pi3	0.749	0.281
pi4	0.579	0.459
pi5	0.727	0.372
pi6	0.850	0.217
pi7	0.810	0.201

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalizatior

Physical Aspects/Problem Solving		
Item	PS	PA
pa1	0.082	0.885
pa2	0.205	0.843
pa3	0.167	0.849
pa4	0.162	0.682
pa5	0.259	0.690
pa6	-0.086	0.739
ps1	0.690	0.221
ps2	0.806	0.093
ps3	0.886	0.077
ps4	0.847	0.102

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalizatior

Personal Interaction/Problem Solving		
Item	PS	PI
pi1	0.194	0.821
pi2	0.136	0.743
pi3	0.236	0.756
pi4	0.191	0.711
pi5	0.144	0.818
pi6	0.333	0.803
pi7	0.360	0.737
ps1	0.545	0.499
ps2	0.831	0.144
ps3	0.874	0.217
ps4	0.817	0.242

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalizatior

The second verification test was to run a correlation analysis between the three factors. As shown in Table 5.31 each was significant and below 0.90, this result also indicates discriminant validity between the theorised dimensions.

Table 5.31 – Retail service quality dimensions correlations

Correlations

		pa	pi	ps
pa	Pearson Correlation	1	.682**	.307**
	Sig. (2-tailed)	.	.000	.000
	N	135	135	135
pi	Pearson Correlation	.682**	1	.574**
	Sig. (2-tailed)	.000	.	.000
	N	135	135	135
ps	Pearson Correlation	.307**	.574**	1
	Sig. (2-tailed)	.000	.000	.
	N	135	135	135

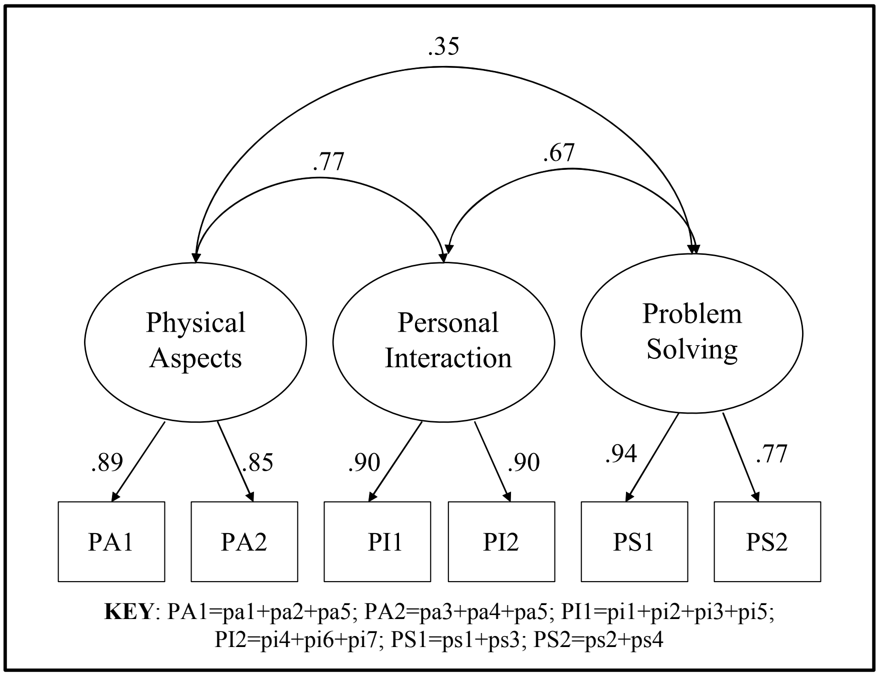
**. Correlation is significant at the 0.01 level (2-tailed).

As was the case in Study 1, there is confidence that the three new dimension scales strongly represent their respective latent dimension of retail service quality. The next step in the analysis was to first-order, and second-order three factor models of retail service quality. Again partial disaggregation was utilised in the modeling process (Bagozzi & Heatherton, 1994; Dabholkar et al. 1996).

5.4.6 – Testing for a first order model of retail service quality

The data was re-run using AMOS software for the theorised three factor model. Figure 5.11 presents the factor loadings and covariance of the three factors, for the first-order model, and the and the fit indices are summarised in Table 5.32 (see Appendix 5.1 for definitions) indicate excellent fit of the data to the model (Kline, 1998).

Figure 5.11 – Three-factor first order model of retail service quality



The overall model is supported by the statistical tests. The "absolute fit" of the model as measured by the normed Chi-square value was appropriately below the recommended cut-off value of 3.0 at 1.30, and the goodness of fit measures were acceptable, with the GFI=0.98, AGFI=0.94 and TLI=0.99, exceeding the benchmarks of 0.90.

Table 5.32 – Study 3 - Fit indices of theorised retail service quality models

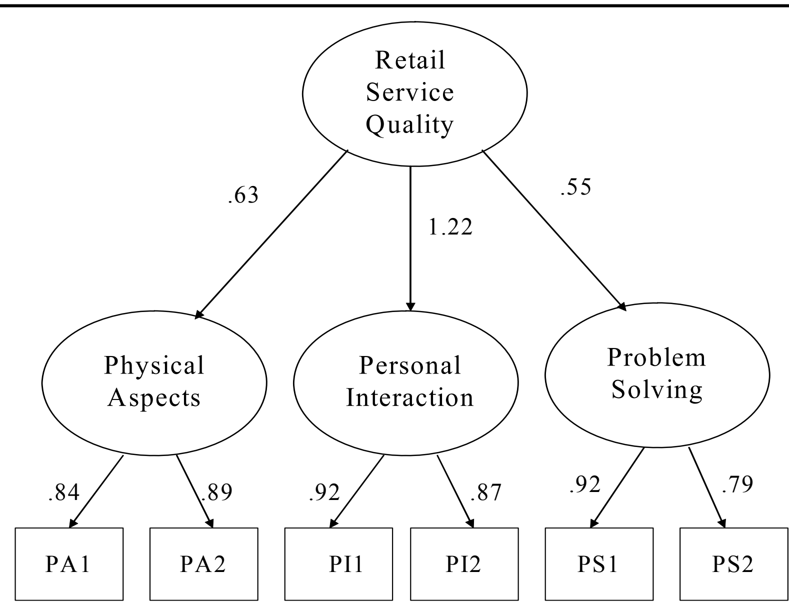
Retail service quality model	χ^2	df	Normed χ^2	GFI	AGFI	TLI	RMSEA	AIC	SRMR
Three-Factor (17 items): First order model	**7.6**	**6**	**1.30**	**0.98**	**0.94**	**0.99**	**0.045**	**37.6**	**0.0225**
Three-Factor (17 items): Second order model	**14.4**	**9**	**1.60**	**0.97**	**0.92**	**0.98**	**0.067**	**38.4**	**0.0338**

There was no evidence of a misfit between the data and the model, with the RMSEA=0.045, which is appropriately below the benchmark of 0.08 (Byrne, 2001). As was the case in Study 1, these findings support the position that Estonian consumers evaluate retail service quality at a dimensional level, as defined by *physical aspects, personal interaction,* and *problem solving*.

5.4.7 - Testing for a second order model of retail service quality

In order to assess if Estonians also evaluate retail service beyond the dimension level, to an overall level, the theorised three factors of retail service quality were modeled as a second-order factor model (Dabholkar et al. 1996). As in Study 1, the same dimensions and scale items were again analysed using the AMOS (Arbuckle, 1999) software. The second order model was tested and as shown in Table 5.32, and Figure 5.12.

Figure 5.12 – Three-factor second order model of retail service quality



KEY: PA1=pa1+pa2+pa5; PA2=pa3+pa4+pa5; PI1=pi1+pi2+pi3+pi5; PI2=pi4+pi6+pi7; PS1=ps1+ps3; PS2=ps2+ps4

The overall model is supported by the statistical tests. The "absolute fit" of the model as measured by the normed Chi-square value was below the recommended cut-off value of 3.0 at 1.60, and the goodness of fit measures were acceptable, with the GFI=0.97, AGFI=0.92 and TLI=0.98, exceeding the benchmark of 0.90. There was no evidence of a misfit between the data and the model, with the RMSEA=0.067, which is appropriately below the benchmark of 0.08 (Byrne, 2001). Although the overall fit indices of the second order model were not quite as strong as the first order model, they were nonetheless acceptable, indicating that Estonian consumers evaluate retail service quality at both a dimension and an overall level.

5.4.8 – Discussion of retail service quality items

In Study 1 the scale items that were chosen to represent the three dimensions of retail service quality were all drawn from the existing literature. As noted, these items had been developed in the West, based on Western retail practices, and shaped by Western culture. For Study 3, the scale items were expanded/refocused to include measures that were of importance to Estonian consumers as highlighted in the qualitative research findings from Study 2. With respect to the *physical aspects* of retail service, an additional item was added that accounted for a greater concentration by Estonian shoppers on identifiable tangible indicators of the cleanliness of the store ("The store is clean and tidy") which represents a dramatic shift from the look of stores during the communist period. For *personal interaction* items a measure of the overt store staff deference to the increased importance of the customer ("The store treats me with respect") in the retail exchange was added. Finally for the *problem solving* dimension items that supported the position that Estonian shoppers have an expectation of formalised processes and procedures relating to product returns/exchanges and complaint handling were incorporated into the scale.

Both having written policies ("This store provides a written returns and exchange/complaint policy"), and informing the consumers of those policies ("This store provides customers with written returns and exchanges policies") were supported by both the findings of Study 2, as well as the collectivist orientation of the Estonian culture. When taken together, these additional items help to increase the face validity of the retail service quality scale in terms of relevance to Estonian shoppers.

5.4.9 – Conclusions – Study 3 – Pilot testing of Estonian RSQ scale

In brief, the findings of Study 3, based on a small sample size, but from a greater sample of Estonian retailers, strongly supported the three-factor model of retail service quality in Estonia. These findings lend further support to those of Study 1 that the three theorised factors of retail service quality are relevant in measuring the construct from an Estonian perspective, based on quantitative findings of a second sample of consumers. Additionally, the fitting of the survey data to a second-order model of retail service quality also supported the position that Estonian consumers also evaluate retail service at an overall level. The findings of this study help to advance the understanding of the emic perspective of retail service quality as additional items of specific relevance to Estonian shoppers, as advanced from the findings of Study 2, were incorporated into the scale instrument.

One of the contributions of Study 3 was to determine the degree that existing, Western measures of retail service quality supported from the findings of Study 1, would again hold true to a second sample of data that included a wider range of department/discount stores than used in Study 1 (i.e. an increase from two to five). Arguably of greater importance was the incorporation/elimination/replacement of Western measures with those deemed more relevant and appropriate to how Estonians evaluate retail service. This study increases the face validity of the scale items measured, while allowing for the testing of the relevance of measures of retail service quality that represented the three dimensions to consumers in a transition economy such as Estonia. Finally, a limitation of Study 3 was that as a small sample for each of the five stores in the sample, in terms of the number data points, there was a need to cross-validate the sample with a second sample of Estonian consumers.

5.5 – Study 4 – Purification and full model testing of Estonian RSQ scale

As described in Chapter 4, the focus of Study 4 was two-fold. The first purpose was as a second quantitative study that uses both Western and Estonian concepts of retail service quality in order to determine whether the proposed model structure was solely attributed to the sample collected. The second purpose of Study 4, which involved the collection of a larger set of sample data, was a re-crafting of the retail service quality measures, and to include scale items to test the predictive validity of the retail service quality scale as well as the additional measures related to attitude to the retail brand, and customer loyalty. A copy of the Study 4 survey is found in Appendix 5.3.

5.5.1 – Preview of retail service quality scales

The procedure for survey collection mirrored that of Study 3, with the following exceptions. The rating scale was changed from a 10-point scale, to a 9-point scale. This change was made for two reasons. The first was to provide a mid-point, or neutral response, as the Estonian administrator suggested this would decrease the time for the survey completion (i.e. respondents wanted this option). The second reason was as a check against survey instrument format having an impact on how the survey was completed. The scale end points were reversed, resulting in "1" now being "strongly agree", and "9" now being "strongly disagree" (note: in order to check if there was a potential bias on subject responses because of the change in scale a comparison of the variance of the retail service quality scale averages (i.e. ANOVA test) between Study 3 and 4 was made with no statistical significance found ($F=.288$; $p=.592$)).

A total of 586 surveys were collected. Twenty-eight surveys were eliminated due to lack of completion or subjects not having recently shopped at the store, leaving 558 for analysis. The break-down of the surveys was: 137 from Store A (Tallinna Kaubamaja); 71 from store B (Maksimarket): 121 from Store C (Prisma); 118 from Store D (Selver); 86 from Store E (Stockmann). As in Study 3, stores A and E were department stores, and stores B, C, and D, discount/hypermarkets. Again a check was made for potential bias based on the store type. A Chi square cross-tabulation based on store type, and the subject response to the store preference question (i.e. "is this your favourite store?") was calculated. No statistically significant difference was found ($\chi 2 = 2.12$; $p=.145$).

The profile of the sample was again heavily weighted in terms of female versus male respondents (79% vs. 21%); and the age breakdown was 54% were 25 years or under; 25% between 26 and 40; 16% between 41 and 55; and 5% older than 55. Once again to test for potential age bias in responses based on years shopping as an adult pre and post communist period, a Chi square test comparing the responses of younger (<40) and older (>40) respondents to the question “is this your favourite department store” indicated no statistically significant difference ($\chi 2$ = 1.75; p=.186).

As there was no reason to question the face validity of the scale items included in Study 3, these seventeen items were included in the survey instrument for Study 4, with the addition of varied questions judged to be of potential benefit to retail practice and therefore improving the diagnostic value of the instrument (Parasuraman, Zeithaml, & Berry, 1994). As shown in Table 5.33, the individual responses were varied (as indicated by the standard deviation values), and respondents tended towards the agreement side with statements, as indicated by mean scores of less than five.

Table 5.33 – Estonian retail service quality scale items, and related factors (9 point scale: 1 if you strongly agree, 9 if you strongly disagree)

	Physical Aspects (6 Items)	**Mean**	**Std. Dev.**
pa1	This store is clean and tidy	3.04	2.34
pa2	The merchandise displays at this store look good visually	3.15	2.33
pa3	This store has a modern look about it	3.49	2.44
pa4	This store provides helpful signs so I can find the products I am looking for	3.52	2.40
pa5	Self-selection at this store is easy and well guided	3.66	2.21
pa6	This store is rarely out of stock on items	3.89	2.52
	Personal Interaction (6 Items)		
pi1	Selling staff are always courteous with customers	3.27	2.35
pi2	This store has a fast check-out	3.46	2.33
pi3	The selling staff at this store treat me with respect	3.53	2.21
pi4	This store has knowledgeable staff who can answer customer queries	3.76	2.22
pi5	The employees at this store give you confidence for your shopping	4.01	2.23
pi6	Selling staff are available and quick to help	4.22	2.50
	Problem Solving (5 Items)		
ps1	Generally, products can be exchanged	3.71	2.04
ps2	This store allows customers to return faulty goods	3.73	2.07
ps3	This store provides a written complaint handling policy	3.93	2.21
ps4	The selling staff at this store admit when they make errors	4.11	1.89
ps5	This store provides a written returns and exchange policy	4.56	1.99

For the *physical aspects* factor, again six items were selected to reflect the dimension from an Estonian perspective. A change in the scale items from Study 3 was that one substitution question was added “This store provides helpful signs so I can find the products I am looking for”. This item seemed to better emphasise a store’s willingness to provide Estonia customers with a greater level of self sufficiency in shopping. This new item replaced “This store has clean and fresh visual lines of merchandise displays” as the role of the merchandise displays in aiding shopping self sufficiency was deemed to be of less importance than helpful signs were in supporting Estonia customer shopping proficiency.

For the *personal interaction* factor, six items were included. Five of the items were retained from Study 3 and one new item “This store has a fast check-out” was added. The new item was added to address Estonian shoppers focus on being able to get out of the store in a timely manner once they had made their shopping decisions. This item brings attention to the change in shopping processes from the communist period where the check-out was often delayed as multiple activities were performed (i.e. one line to order the product, one line to pay for the product, and one line to get the product, Lempert, 1996). The two items removed from representing this factor “When a customer has a problem this store shows a sincere interest in solving it”, and “This store goes out of its way to solve customer problems” were deemed to be of lesser relevance in operationalising the *personal interaction* dimension as evidenced by the overall lower rankings (in terms of customer perceptions) of the two items in both Study 1 and 3.

The *problem solving* dimension had five items, three items retained from Study 3, and two new items. The new item "The selling staff at this store admit when they make errors" ties in the Estonian customer's desire for respect from the store as reviewed previously, but also a greater sense of store accountability in treating a customer fairly which would not have been the case in the communist period. The second item "Generally, products can be exchanged" highlights a need by Estonian retailer to allow for product exchanges, but that this action is in conjunction with any formalised written policies concerning the return or exchange of products.

The Study 4 data was analysed using the same techniques employed in Study 1 and Study 2, including reliability testing, determination of convergent validity and confirmatory factor analysis (CFA) testing using partial diaggregation.

5.5.2 – Test of sphericity and sampling adequacy

Prior to moving to the confirmatory factor analysis stage of the data review, the data needed to be checked in order to determine the appropriateness of its use for such analysis (Kline, 1998).

Table 5.34 – Kaiser-Meyer-Olkin (KMO) and Bartlett's scores

		Bartlett Test of Sphericity	
	KMO	**$\chi 2$**	**Significance**
Overall Scale	0.93	6097	0.00
Physical Aspects	0.87	2002	0.00
Personal Interaction	0.87	2101	0.00
Problem Solving	0.81	1043	0.00

The Kaiser-Meyer-Olkin (KMO) and Bartlett's scores were measured, and indicated the data were indicative of a multivariate normal population, and that a factor analysis is a meaningful measure of such data as shown. The KMO range was from 0.81 to 0.93 which is greater than 0.50 indicating the data was acceptable for analysis. Similarly, the Bartlett tests were statistically significant at the 0.01 level indicating acceptable data as shown in Table 5.34.

5.5.3 – Reliability tests

The next step in the data analysis was to determine the degree that each of the proposed items represented the underlying retail service quality dimension. This analysis was conducted using a two stage approach. The first stage was to determine the reliability of the proposed scale items at the individual and dimension level. This was determined by the reliability of each scale as measured by the Cronbach Alpha (Cronbach, 1951). The second approach was to determine the goodness of fit criteria (Kline, 1998) of the three dimensions, as single factor structural models.

The Cronbach Alpha values were calculated using SPSS 12.00 (SPSS Inc. 2003), and each of the scores was above the accepted level of 0.70 (Hair et al. 2003), indicating the interrelatedness of the set of items at the dimension and overall retail service quality level as depicted in Table 5.35.

Table 5.35 – Cronbach Alpha for the three theorised factors of retail service quality

Overall scale:	17 items: 0.94	Item-to-total correlation range: 0.38-0.74
Physical aspects:	6 items: 0.89	Item-to-total correlation range: 0.60-0.81
Personal interaction:	6 items: 0.90	Item-to-total correlation range: 0.70-0.78
Problem solving:	5 items: 0.82	Item-to-total correlation range: 0.45-0.72

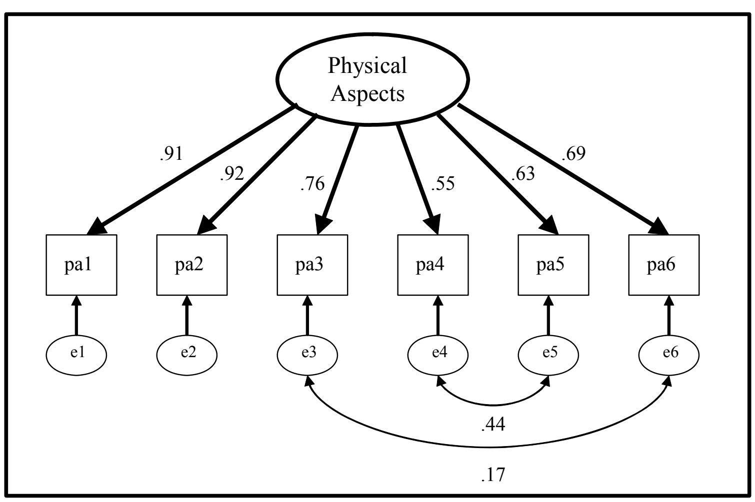
The next step in the data purification was to determine whether the item-to-total correlations fell within an acceptable range. A recommended range of item retention is 0.50 or more has been suggested (Netemeyer, et al. 1996), while others have used a minimum of 0.35 (Bearden et al. 2001) in the development of scales. As seen in Table 5.35, the range of items was from 0.38-0.81.

5.5.4 – Convergent validity and confirmatory factor analysis (CFA) testing

The confirmatory factor analysis was conducted on each of the three dimensions, and then using partial diaggregation at the overall model level (Hull et al. 1991; Bagozzi & Heatherton 1994; Dabholkar et al. 1996). Firstly the individual items for the three factor models were checked for their degree of independence. As in Study 1, and Study 3, this was determined by the critical ratios (CR) of the variance of the scale items error terms were calculated (Schumacker & Lomax, 1996).

The first dimension *physical aspects*, was represented by the six items indicated in Table 5.33, and Figure 5.13.

Figure 5.13 – Physical aspects dimension



Note that two pairs of error terms e4 and e5, and e. and e6 were slightly covaried as they were similar in terms of focus (i.e. e4 and e5 the ability to find products, and e3 and e6 in terms of the role that the products play in the look of the store). Table 5.36 lists the measurement values for the *physical aspects* dimension as calculated using the AMOS (Arbuckle, 1999) software.

Table 5.36 – Physical aspects measurement model values

Physical Aspects Reliability (α)	0.89		Standardised Regression Weight	C.R.	p	Variable Reliability
pa1	<=	Physical Aspects	0.91	9.84	0.00	0.82
pa2	<=	Physical Aspects	0.92	9.10	0.00	0.84
pa3	<=	Physical Aspects	0.76	14.69	0.00	0.58
pa4	<=	Physical Aspects	0.55	16.09	0.00	0.30
pa5	<=	Physical Aspects	0.63	15.75	0.00	0.40
pa6	<=	Physical Aspects	0.69	15.29	0.00	0.48

All standardised regression weights were above 0.40, and all CR values were greater than 1.96 indicating acceptability of the items.

Table 5.37 – Physical aspects dimension scale item correlations

Correlations

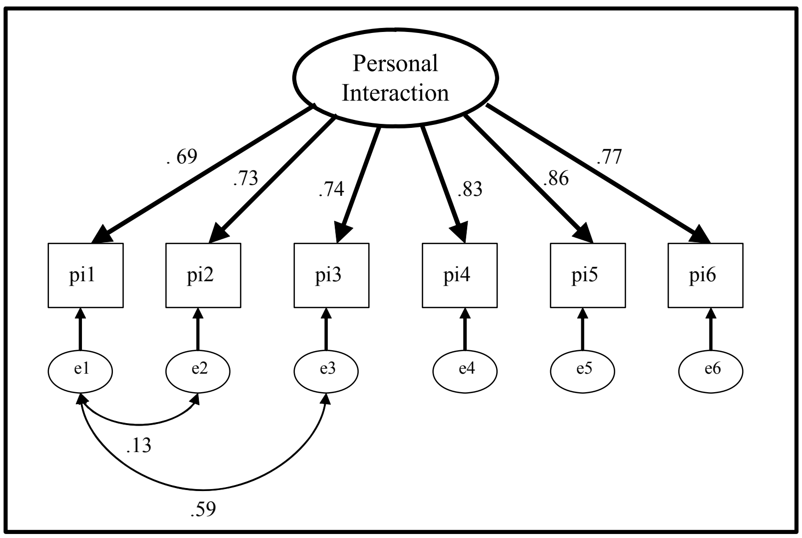
		pa1	pa2	pa3	pa4	pa5	pa6
pa1	Pearson Correlation	1	.837**	.690**	.474**	.563**	.617**
	Sig. (2-tailed)	.	.000	.000	.000	.000	.000
	N	558	558	558	558	558	558
pa2	Pearson Correlation	.837**	1	.692**	.495**	.571**	.625**
	Sig. (2-tailed)	.000	.	.000	.000	.000	.000
	N	558	558	558	558	558	558
pa3	Pearson Correlation	.690**	.692**	1	.455**	.503**	.607**
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000
	N	558	558	558	558	558	558
pa4	Pearson Correlation	.474**	.495**	.455**	1	.634**	.442**
	Sig. (2-tailed)	.000	.000	.000	.	.000	.000
	N	558	558	558	558	558	558
pa5	Pearson Correlation	.563**	.571**	.503**	.634**	1	.513**
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000
	N	558	558	558	558	558	558
pa6	Pearson Correlation	.617**	.625**	.607**	.442**	.513**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.
	N	558	558	558	558	558	558

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

The correlation analysis (using SPSS 12.00) as presented in Table 5.37, indicates that all pair-wise comparisons are significant and less than 0.90.

The second theorised dimension was *personal interaction*. The six items as found in Table 5.33 are represented by the model diagram depicted in Figure 5.14.

Figure 5.14 – Personal interaction dimension



Error terms e1 and e3 and e1 and e2 were covaried as they were similar in terms of focus (i.e. e1 and e3 represent the "deference" of store staff to the customer, while e2 operationalises that deference by allowing the customer to get out of the store in a timely fashion once they've found their products). Table 5.38 lists the measurement values for the *personal interaction* dimension as calculated using the AMOS (Arbuckle, 1999) software.

Table 5.38 – Personal interaction measurement model values

Personal Interaction Reliability (α)	0.90		Standardised Regression Weight	C.R.	p	Variable Reliability
pi1	<=	Personal Interaction	0.70	15.17	0.00	0.48
pi2	<=	Personal Interaction	0.74	14.49	0.00	0.53
pi3	<=	Personal Interaction	0.75	14.32	0.00	0.55
pi4	<=	Personal Interaction	0.83	12.23	0.00	0.69
pi5	<=	Personal Interaction	0.84	11.23	0.00	0.74
pi6	<=	Personal Interaction	0.66	13.86	0.00	0.59

All standardised regression weights were above 0.40, and all CR values were greater than 1.96 indicating acceptability of the items. The correlation analysis (using SPSS 12.00) is presented in Table 5.39, and all pair-wise comparisons are significant and less than 0.90.

Table 5.39 – Personal interaction dimension scale item correlations

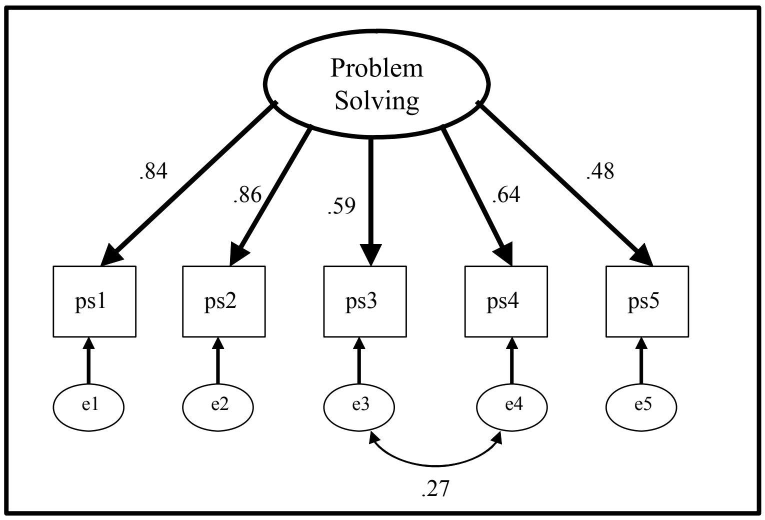
Correlations

		pi1	pi2	pi3	pi4	pi5	pi6
pi1	Pearson Correlation	1	.588**	.800**	.595**	.574**	.505**
	Sig. (2-tailed)	.	.000	.000	.000	.000	.000
	N	558	558	558	558	558	558
pi2	Pearson Correlation	.588**	1	.573**	.593**	.625**	.542**
	Sig. (2-tailed)	.000	.	.000	.000	.000	.000
	N	558	558	558	558	558	558
pi3	Pearson Correlation	.800**	.573**	1	.604**	.627**	.565**
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000
	N	558	558	558	558	558	558
pi4	Pearson Correlation	.595**	.593**	.604**	1	.715**	.651**
	Sig. (2-tailed)	.000	.000	.000	.	.000	.000
	N	558	558	558	558	558	558
pi5	Pearson Correlation	.574**	.625**	.627**	.715**	1	.665**
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000
	N	558	558	558	558	558	558
pi6	Pearson Correlation	.505**	.542**	.565**	.651**	.665**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.
	N	558	558	558	558	558	558

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

The final dimension, *problem solving* was represented by the five scale items listed in Table 5.33, and the model depicted in Figure 5.15. Note that error terms e3 and e4 were slightly covaried due to the complementary nature of their focus (i.e. e3 represents the formalised complaint process, and e4 the admission of store staff errors that should be addressed within the complaint policy.) the ability to find products, and e3 and e6 in terms of the role that the products play in the look of the store).

Figure 5.15 – Problem solving dimension



The measurement values in Table 5.40 were calculated using the AMOS (Arbuckle, 1999) software, and Table 5.41 presents the correlation analysis (using SPSS 12.00).

Table 5.40 – Problem solving measurement model values

Problem Solving Reliability (α)	0.82		Standardised Regression Weight	C.R.	p	Variable Reliability
ps1	<=	Problem Solving	0.84	9.34	0.00	0.71
ps2	<=	Problem Solving	0.86	8.63	0.00	0.74
ps3	<=	Problem Solving	0.60	15.15	0.00	0.35
ps4	<=	Problem Solving	0.65	14.69	0.00	0.42
ps5	<=	Problem Solving	0.48	15.89	0.00	0.23

Table 5.41 – Problem solving dimension scale item correlations

Correlations

		ps1	ps2	ps3	ps4	ps5
ps1	Pearson Correlation	1	.728**	.474**	.534**	.428**
	Sig. (2-tailed)	.	.000	.000	.000	.000
	N	558	558	558	558	558
ps2	Pearson Correlation	.728**	1	.518**	.557**	.379**
	Sig. (2-tailed)	.000	.	.000	.000	.000
	N	558	558	558	558	558
ps3	Pearson Correlation	.474**	.518**	1	.549**	.324**
	Sig. (2-tailed)	.000	.000	.	.000	.000
	N	558	558	558	558	558
ps4	Pearson Correlation	.534**	.557**	.549**	1	.344**
	Sig. (2-tailed)	.000	.000	.000	.	.000
	N	558	558	558	558	558
ps5	Pearson Correlation	.428**	.379**	.324**	.344**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.
	N	558	558	558	558	558

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

All standardised regression weights were above 0.40, and all CR values were greater than 1.96 indicating acceptability of the items, as well as all correlations were significant and less than 0.90.

The second stage in the analysis of the measurement models was to determine the fit index values of the three dimensions.

Table 5.42 – Fit indices for the theorised dimensions of retail service quality

Dimension	χ^2	df	Normed χ^2	GFI	AGFI	TLI	RMSEA	AIC	SRMR
Physical Aspects (6 items)	**17.6**	**7**	**2.52**	**0.99**	**0.97**	**0.99**	**0.052**	**45.6**	**0.0249**
Personal Interaction (6 items)	**14.2**	**7**	**2.02**	**0.99**	**0.98**	**0.99**	**0.043**	**42.2**	**0.0138**
Problem Solving (5 items)	**9.6**	**4**	**2.39**	**0.99**	**0.98**	**0.99**	**0.050**	**31.6**	**0.0184**

Fit indices were calculated for each of the models using AMOS (Arbuckle, 1999) software. As indicated in Table 5.42 multiple fit indices for all three indicated excellent fit of the data to the theorised one factor models (Kline, 1998 - see Appendix 5.1 for definitions).

5.5.5 – Discriminant analysis

The support for the modelling of retail service quality as a three factor model was again strong. The two additional verification tests, principal component analysis (PCA) for each of the pairs of dimensions (i.e. PA/PI; PI/PS; PA/PS) in order to corroborate the position that each of the scale items best represents a measure of its specific dimension, and correlation analysis between the three factors were again conducted.

Table 5.43 – Principal component analysis – pair-wise analyses of three dimensions

Physical Aspects/Personal Interaction			Physical Aspects/Problem Solving			Personal Interaction/Problem Solving		
Item	PI	PA	Item	PS	PA	Item	PS	PI
pa1	0.329	0.836	pa1	0.164	0.872	pi1	0.277	0.766
pa2	0.326	0.840	pa2	0.199	0.866	pi2	0.221	0.756
pa3	0.279	0.796	pa3	0.176	0.811	pi3	0.291	0.786
pa4	0.434	0.518	pa4	0.364	0.602	pi4	0.181	0.831
pa5	0.510	0.557	pa5	0.343	0.688	pi5	0.203	0.835
pa6	0.327	0.717	pa6	0.145	0.782	pi6	0.242	0.756
pi1	0.684	0.430	ps1	0.802	0.246	ps1	0.809	0.242
pi2	0.671	0.413	ps2	0.810	0.236	ps2	0.825	0.224
pi3	0.739	0.367	ps3	0.701	0.202	ps3	0.757	0.129
pi4	0.812	0.277	ps4	0.706	0.337	ps4	0.651	0.443
pi5	0.823	0.267	ps5	0.640	0.051	ps5	0.572	0.193
pi6	0.742	0.296						
Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalizatior			Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalizatior			Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalizatior		

As shown in Table 5.43 the PCA analysis indicated that all items loaded correctly, and solely on the theorised dimension.

The second verification test was to run a correlation analysis between the three factors. As shown in Table 5.44 each was significant and below 0.90, this result also indicates discriminant validity between the theorised dimensions.

Table 5.44 – Retail service quality dimensions correlations

Correlations

		pa	pi	ps
pa	Pearson Correlation	1	.764**	.533**
	Sig. (2-tailed)	.	.000	.000
	N	558	558	558
pi	Pearson Correlation	.764**	1	.571**
	Sig. (2-tailed)	.000	.	.000
	N	558	558	558
ps	Pearson Correlation	.533**	.571**	1
	Sig. (2-tailed)	.000	.000	.
	N	558	558	558

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

Once again there is confidence that the three new dimension scales strongly represent their respective latent dimension of retail service quality. The next step in the analysis was to first-order, and second-order three factor models of retail service quality. Again partial disaggregation was utilised in the modeling process (Bagozzi & Heatherton, 1994; Dabholkar et al. 1996).

5.5.6 - Testing for a first order model of retail service quality

The data was re-run using AMOS software for the theorised three factor model. Figure 5.16 presents the factor loadings and covariance of the three factors, for the first-order model, and the fit indices are summarised in Table 5.45 (see Appendix 5.1 for definitions) indicate excellent fit of the data to the model (Kline, 1998).

Figure 5.16 – Three-factor first order model of retail service quality

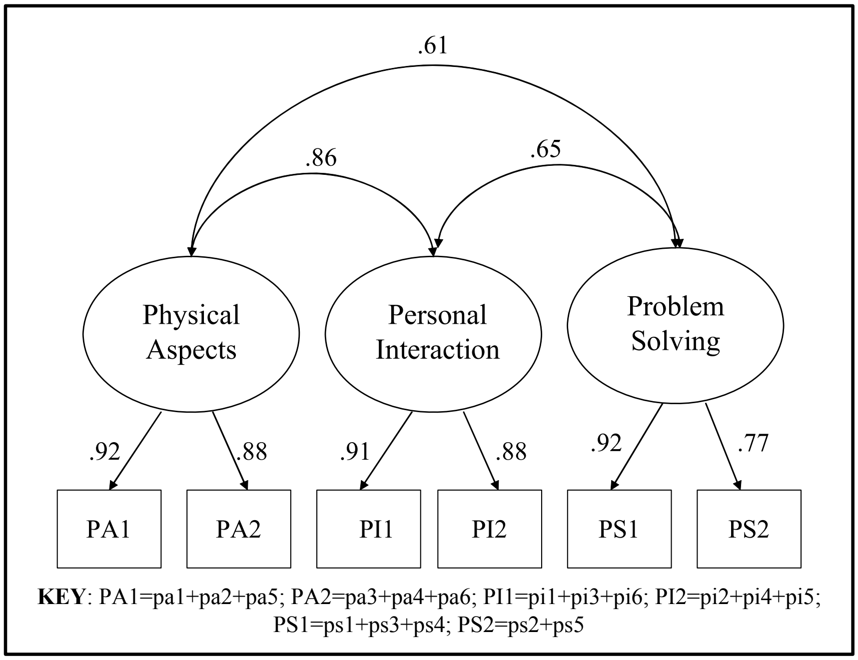


Table 5.45 – Study 4 - Fit indices of theorised retail service quality models

Retail service quality model	χ^2	df	Normed χ^2	GFI	AGFI	TLI	RMSEA	AIC	SRMR
Three-Factor (17 items): First order model	**13.6**	**6**	**2.27**	**0.99**	**0.97**	**0.99**	**0.048**	**43.6**	**0.0114**
Three-Factor (17 items): Second order model	**26.1**	**9**	**2.90**	**0.98**	**0.96**	**0.99**	**0.058**	**50.1**	**0.0238**

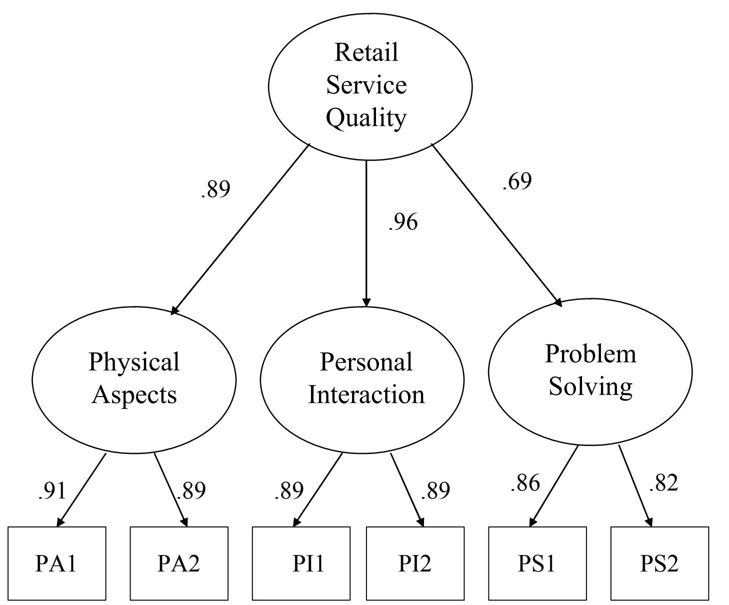
The overall model is supported by the statistical tests. The "absolute fit" of the model as measured by the normed Chi-square value was below the recommended cut-off value of 3.0 at 2.27, and the goodness of fit measures were acceptable, with the GFI=0.99, AGFI=0.97 and TLI=0.99, exceeding the benchmarks of 0.90. There was no evidence of a misfit between the data and the model, with the RMSEA=0.048, which is appropriately below the benchmark of

0.08 (Byrne, 2001). Once again the implications of these findings are that the data supports the position that Estonian consumers evaluate retail service quality at a dimensional level, as defined by *physical aspects, personal interaction,* and *problem solving* measures.

5.5.7 - Testing for a second order model of retail service quality

The third step in the analysis was to determine whether the theorised three factors of retail service quality could be modeled as a second-order factor model, or do Estonians perceive retail service quality at both the individual and overall level (Dabholkar et al. 1996). The same dimensions and scale items were again analysed using the AMOS (Arbuckle, 1999) software. The second order model was tested and as shown in Figure 5.17, and Table 5.45.

Figure 5.17 – Three-factor second order model of retail service quality



KEY: PA1=pa1+pa2+pa5; PA2=pa3+pa4+pa6; PI1=pi1+pi3+pi6; PI2=pi2+pi4+pi5; PS1=ps1+ps3+ps4; PS2=ps2+ps5

The overall model is supported by the statistical tests. The "absolute fit" of the model as measured by the normed Chi-square value was below the recommended cut-off value of 3.0 at 2.90, and the goodness of fit measures were acceptable, with the GFI=0.98, AGFI=0.96 and TLI=0.99, exceeding the benchmark of 0.90. There was no evidence of a misfit between the data and the model, with the RMSEA=0.058, which is appropriately below the benchmark of 0.08 (Byrne, 2001).

The overall fit indices of the second order model, and the factor loadings, and covariance, were deemed acceptable, indicating that Estonian consumers also evaluate retail service quality at a higher level. As was the case in Study 3, although the overall fit indices of the second order model were not quite as strong as the first order model, they were nonetheless acceptable, indicating that Estonian consumers evaluate retail service quality at both a dimension and an overall level.

5.5.8 - Predictive validity

The final analysis of the data was to determine the predictive validity of the retail service quality scale (Kachigan, 1991; Dabholkar et al. 1996), and the relationship of retail service to shopping behaviour. In Study 1, one way in which the predictive validity was calculated was by examining the correlations between the theorised dimensions and customer loyalty measures (Dabholkar et al. 1996). Table 5.46 shows that the composite measure of retail service quality (i.e. the average of the three theorised dimensions) and each of the individual dimensions are able to predict different facets of customer loyalty. All measures of retail service quality are statistically significant (at the 0.01 level) correlated with the three different facets of store loyalty.

A second, more sophisticated assessment of predictive validity was used for Study 4 to include retail service quality dimensions within a broader model that explains patronage loyalty behaviour (i.e. customer loyalty) and store brand attitudes in relation to the retailer (i.e. attitude to the retail brand).

Table 5.46 – Study 4: Correlations of predictive validity – Customer store loyalty

	Number of Items	**Predictive Validity with Correlations**			
		cl1	**cl2**	**cl3**	**cl4**
Retail Service Quality	17	0.512 *	0.462 *	0.405 *	0.426 *
Physical Aspects	6	0.537 *	0.429 *	0.341 *	0.371 *
Personal Interaction	6	0.422 *	0.451 *	0.352 *	0.394 *
Problem Solving	5	0.362 *	0.451 *	0.365 *	0.341 *

Key: cl1 I plan to shop at this store (again) in the next 6 months
cl2 I plan to recommend this store to others in the next 6 months
cl3 My next purchase is likely to be from this store
cl4 I am likely to spend the same (or more) amount of money in this store in the next 6 months compared to the last 6 months
* significance p<.01

As discussed in Chapter 3 future purchase intentions are mediated through attitude to the retail brand (Low & Lamb, 2000). Retail service quality, as the key variable, was placed into a broader model of the formation attitude to the retail brand, and then to customer store loyalty. The equations are:

Customer Loyalty (CL) as a function of attitude to the retail brand (BR) and store location (LO):

(1) CL = f (BR; LO)

Attitude to the retail brand (BR) as a function of the physical aspects of the store (PA), personal interaction attributes (PI), problem solving attributes (PS) and merchandise selection (MS):

(2a) BR = f (PA; PI; PS; MS)

In addition, as the testing has indicated that Estonian consumers evaluate retail service at both a dimensional and an overall level, the following related equation is also tested, where retail service quality (RSQ) is the average of the three theorised dimensions:

(2b) BR = f (RSQ; MS)

Each of the new dimensions scales were developed using existing measures (Baker, Levy, & Grewal, 1992; Rinne & Swinyard, 1995; Merrilees & Miller, 2001). To increase the diagnostic value of this information, two additional shopping behaviour items were added, one for Customer Loyalty, and one for Location. Table 5.47 and Table 5.48 present the scale items and respective Cronbach Alpha values.

To test these proposed relationships, path analysis was conducted using the combined *customer loyalty* (CL) and *attitude to the retail brand* (BR) equations. For each of the shopping behaviour scales, the three dimensions of retail service quality, attitude to the retail store brand, merchandise selection, customer loyalty, and location items, were collapsed into composite measures.

Table 5.47 – Study 4: Scale items of shopping behaviour

	Attitude to the Retail Brand (3 Items)		
bi1	This store has a good reputation among customers	3.44	2.22
bi2	There is something special about this store	4.60	2.35
bi3	I really admire this store	4.71	2.60
	Merchandise Selection (3 Items)		
ms1	The merchandise at this store is of high quality	3.97	2.17
ms2	This store has clothing of the latest trends and styles	4.31	2.56
ms3	The product brands in this store are really good	4.18	2.58
	Customer Loyalty (4 Items)		
cl1	I plan to shop at this store (again) in the next 6 months	3.33	2.57
cl2	I plan to recommend this store to others in the next 6 months	4.13	2.49
cl3	My next purchase is likely to be from this store	4.83	2.74
cl4	I am likely to spend the same (or more) amount of money in this store in the next 6 months compared to the last 6 months	4.52	2.69
	Location (2 Items)		
lo1	The store location is convenient for me	4.20	2.82
lo2	The store is close to my home	5.01	3.09

Table 5.48 – Cronbach Alpha for the shopping behaviour factors

Study 4 - Shopping Scales

Attitude to retail store brand	3 items: 0.77	Item-to-total correlation range: 0.53-0.66
Merchandise Selection	3 items: 0.86	Item-to-total correlation range: 0.61-0.83
Customer Loyalty	4 items: 0.87	Item-to-total correlation range: 0.65-0.77
Location	2 items: 0.74	Item-to-total correlation range: 0.59-0.59

Each of the composite measures was then tested in terms of the significance of each proposed dependent variable. Table 5.49 provides this information for the three equations. Table 5.49 shows that the regression coefficient of brand attitude to loyalty is 0.605, which is very high and significant at the 0.01 level. Location has a smaller coefficient at 0.255, but it is also significant at the 0.01 level.

Table 5.49 – Study 4 - Path analysis of brand attitude and store loyalty: Regression coefficients

PATH	Customer Loyalty	Attitude to the Retail Brand: Dimensions of RSQ	Attitude to the Retail Brand: Overall RSQ
Attitude to the Retail Brand ⟹	*0.605* ** (19.36)		
Location ⟹	*0.255* ** (8.18)		
Physical Aspects ⟹		*0.113* * (2.44)	
Pesonal Interaction ⟹		*0.353* ** (7.34)	
Problem Solving ⟹		*0.112* ** (3.13)	
Merchandise Selection ⟹		*0.309* ** (8.98)	*0.317* ** (9.22)
Retail Service Quality ⟹			*0.507* ** (14.72)
Adjusted R-square	*0.571*	*0.534*	*0.527*

(t-values in parentheses) ** significance p<.01 * siginificance p<.05

Attitude to the brand has been modelled in two alternative ways. In both cases the merchandise selection regression coefficient is approximately 0.31 and significant at the 0.01 level. When retail service quality is entered as a composite variable (consistent with the second order specification of the construct) the regression coefficient of retail service quality on attitude to the retail brand is 0.507, both large and significant at the 0.01 level.

Based on this analysis at the dimension level the three retail service quality factors and the merchandise factor account for approximately 53.4% in the variance in Estonian customers' attitude to the retail brand. When the same analysis is modelled at the overall retail service quality level the results are still significant, with a minimum drop in the R squared value to 52.7%. This finding aligns with the previously analysis that Estonians evaluate retail service quality at both a dimension and overall level. In turn customers' attitude to the retail brand is the main determinant of customer store loyalty, with support from the location attribute. If we add the indirect effects then retail service quality dominates the influence on customer store loyalty.

5.5.9 – Discussion of retail service quality items

The scale items that were chosen to represent the three dimensions of retail service quality for Study 4 were; (a) drawn from the existing literature; (b) developed from the qualitative findings of Study 2; (c) refined from the findings of Study 3. For the *physical aspects* of retail service, six items were retained as best representing Estonian shoppers focus on the tangible aesthetics of the store and its displays, as well as the store providing a customer a sense of self sufficiency in shopping. For the *personal interaction* dimension, the six items surface the Estonian customer's expectation of deference by the store staff to the importance that the customer brings to the retailer (something that was of little relevance during the communist period), in addition to the Western expectation of a store providing knowledgeable and competent sales staff. Finally, for the *problem solving* dimension the five scale items, as was the case in Study 3, supports the position that Estonian shoppers have an expectation of formalised processes and procedures relating to product returns/exchanges and complaint handling. In addition, there is an added expectation that when problems occur, the store will have processes in place that requires store staff to take responsibility and accountability for their role in the error occurring, which is something that represents a distinct shift from what customers would have expected during the communist period.

5.5.10 - Conclusions – Study 4 – Full model testing of Estonian RSQ scale

Based on the analysis of the data for Study 4, the proposed path equation model and related scale instrument indicated strong support for how the retail service quality construct should be theorised, and how retail service should be measured within a transition economy such as Estonia. As in Study 1 and Study 3, the findings of Study 4 confirmed the idea that there is a construct termed retail service quality that is relevant to Estonians, and that Estonians evaluate retail service quality at both a dimension and overall level.

The remaining data analysis focused on the predictive validity of the scale items as proposed by the two equation models of attitude to the retail brand, and customer loyalty. The data strongly supported the modeling of shopping behaviour in this manner. In addition, Study 4 also extended the breadth of these findings by both using a second larger customer sample, and a sample that spanned across a wider range of Estonian department/discount stores by increasing the number of stores from two to five. In brief, the suggestion of the Study 4 findings are that in Estonia retail service measures, and merchandise selection measures are strong indicators of the consumer attitude to the brand, and that the consumers' attitude to the brand has a strong impact on customer loyalty, and thus retail shopping behaviour.

5.6 – Conclusions

In summary, the focus of this chapter was to present the findings of the four research studies used to address the research question. The purpose of each study was to build upon the previous study towards a greater understanding of the retail service quality construct within the context of the transition economy of Estonia. Additionally, the findings for each of the studies were geared toward answering the research issues represented by research hypotheses. As presented in Chapter 3, a number of research hypotheses were proposed. Table 5.50 summarises the testing of the hypotheses.

Table 5.50 – Summary of hypothesis testing

Hypothesis	Analysis Used	Result
H3.1: The retail service quality construct in a Estonia is best represented by a three factor structure	Convergent Validty and Confirmatory Factor Analysis (Item and dimension correlations, Discriminant validity, Fit indices)	***Supported***
H3.1a: Physical aspects measures are positively related to retail service quality in Estonia	Reliability tests (Cronbach Alpha, Item-to-total correlations), Convergent Validty and Confirmatory Factor Analysis (Item and dimension correlations, Discriminant validity, Fit indices)	***Supported***
H3.1b: Personal Interaction measures are positively related to retail service quality in Estonia	Reliability tests (Cronbach Alpha, Item-to-total correlations), Convergent Validty and Confirmatory Factor Analysis (Item and dimension correlations, Discriminant validity, Fit indices)	***Supported***
H3.1c: Problem solving measures are positively related to retail service quality in Estonia	Reliability tests (Cronbach Alpha, Item-to-total correlations), Convergent Validty and Confirmatory Factor Analysis (Item and dimension correlations, Discriminant validity, Fit indices)	***Supported***
H4.1: Shopping behaviour in Estonia can be theorized by two equations linking retail service quality, merchandise selection, attitude to the retail brand, store loaction, and customer loyalty (BR = f (PA; PI; PS; MS); BR=f(RSQ; MS); CL = f (BR; LO)	Correlation analysis of retail service quality scales and customer loyalty measuress; Path analysis (BR = f (PA; PI; PS; MS); BR=f(RSQ; MS); CL = f (BR; LO)	***Supported***

In conclusion, this chapter presented the analysis of the findings for the four research studies utilised in addressing the major research question of this study. Each of the studies formed part of a natural progression toward developing a greater understanding of the two main focuses of this research of how to conceptualise and measure retail service quality, as well as what effect transition economy cultural variables have on this understanding. All four studies, while related, addressed separate research issues.

The findings of Study 1 and Study 2 demonstrated a lack of completeness in existing scale measures and instruments in capturing the construct in a transition economy, such as Estonia. The findings of Study 1 supported the position that many of the scale items previously reported in the extant literature are also appropriate for measuring retail service quality in Estonia. The findings of Study 2 both questioned the relevance of existing scale items, and highlighted additional items pertinent to Estonian retail customers.

Study 1 focused on advancing the retail service quality literature by testing existing viewpoints on how the construct should be theorised and measured within a non-Western environment. Study 2 brought cross-cultural aspects into the research question by qualitatively extending the understanding of how retail service quality is interpreted and perceived by transition economy consumers. Study 3 incorporated the Study 2 cross-cultural findings into the development of a research instrument to measure the retail service quality construct and extended the face validity of the findings by increasing the sample of department/discount stores surveyed from two to five. Study 4 utilised the findings of Study 3 to further refine the measurement instrument, tested a second larger sample of Estonian consumers, as well as testing the predictive validity of the proposed scales within the larger retail framework of shopping behaviour, as defined by attitude to the retail store brand, and customer loyalty measures.

In brief, based on the findings of Study 1 a Western lens was appropriate as a first approximation for understanding the factor level dimensions of the construct, or the consistency of the three theorised factors as indicators of retail service quality (Ping, 2004). The findings of Study 2 indicated that additional items that were more indicative of how Estonians evaluate retail service were needed. These items were added in Study 3 to improve the face validity of the retail service quality scale, while the scale was further refined in Study 4. Finally this chapter summarised how the findings of the research studies were used to test the research hypotheses presented in Chapter 3 and to answer the research question. The implications of the findings of each of these studies to both theory and practice are discussed in Chapter 6.

Chapter 6

Research contributions and conclusions

6.1 - Introduction

The purpose of this chapter is to discuss how the findings of this study have contributed to knowledge within the context of retail service quality within a transition economy environment. It is meant as a link to the research literature discussed in Chapter 2, and the theoretical model(s) presented in Chapter 3, as well as the cross-cultural research principles discussed in Chapter 4.

Following this introduction, Section 6.2 provides an overview of the findings of the study in terms of contributions to knowledge. Sections 6.2.1-6.2.5 highlights each of the major contributions, while Section 6.3 discusses in detail the contributions made to knowledge using a three-prong approach. The first is how the findings help to reinforce the research literature; the second is how the findings compare, or differ from existing studies; and the third discusses the enhancement or challenges to the literature.

Beyond the core findings of the dissertation, this study also contributes to knowledge in terms of retail practice (Section 6.4), and research methodology within cross-cultural and transition economy settings (Section 6.5). The remaining sections examine how the research question was answered (Section 6.6); future research agendas (Section 6.7); and research limitations (Section 6.8). The chapter concludes with Section 6.9.

6.2 – Overview of findings

The design of this section is to briefly summarise the major theoretical findings of this study. As discussed in Chapter 2 (Section 2.7), three research gaps were identified in the extant literature that centred on retail service quality and transition economies that were to be answered by this study. From a theoretical perspective, the factor structure and operationalisation of the retail service quality construct, and the significance of cross-cultural differences in retail service quality study, are addressed.

Section 6.2.1 looks at the core, or overall structure of the retail service quality construct, while 6.2.2-6.2.4 examines the three identified factors of *physical aspects, personal interaction,* and *problem solving*. Section 6.2.5 reviews additional findings and contributions from this study, including the role of stock outs and service quality, and transition economy culture and values.

6.2.1 - Retail service quality construct

The first contribution to knowledge centres on how transition economy consumers perceive the retail service quality construct. The findings indicate that within Estonia, retail service quality is interpreted at both an integrated level and an attribute level. Estonian consumers understand the concept of retail service quality, and it is a valid construct for measuring retail service.

At the integrated level, a concept labelled *personal responsibility in shopping* permeated throughout. The qualitative nature of Study 2 surfaced the notion that Estonian consumers placed great emphasis on the roles and responsibilities a consumer takes in their shopping behaviour (i.e. a store is not, nor should not, be responsible for the consumer making less than ideal purchase decisions).

In essence, there was an apparent overarching connection with being able to assert one's independence as much as possible. If one returns a (non-defective) product to a store, the customer would visibly be demonstrating their inability to handle individual decision-making and choice. It is suggested that this is a significant finding in terms of the application of cross-cultural streams of research with respect to understanding retailing variables.

At the attribute level, importance was placed on the service process such as how store salespeople interact with the consumer (i.e. assistance with finding items, the check-out process, the returns process), and other customer-rated measures (i.e. store appearance, store location). Each of the identified attributes aligned within one of three factors of retail service quality, labelled *physical aspects*, *personal interaction,* and *problem solving.*

6.2.2 - Physical aspects

The *physical aspects* factor consists of the *Western* definition of retail service quality as it relates to the layout and amenities of a store. The contribution of this research is in the defining of a transition economy measures that allow for the ability and capability of finding products oneself. This is interpreted as a natural progression from the skills required to acquiring products in short supply during the communist period, that Estonian (and other transition economy consumers), would have experienced.

6.2.3 - Personal interaction

For the *personal interaction* factor, the *Western* concept is defined in terms of the actions of the retail service personnel, and how they interact with store customers. The contribution of the make up of the items that define this dimension comes from a highlighted dichotomy in consumers' interpretation of the salesperson's role as either *expert* or *servant*. This position is attributed to an evolving view of the customer's position in the retailer/customer exchange process.

6.2.4 - Problem solving

The third identified dimension of retail service quality, *problem solving*, also benefits from both a Western and a local orientation. The understanding of the manner in which store salespeople handle customer complaints, or the returning or exchanging of products, was advanced by an inclusion of a transition economy perspective of the formality and responsibility involved in problem solving.

The implication of the findings was not that a store had to meet customers' expectations to make things right in all situations, but a sole responsibility between store and customers in meeting stated obligations. Furthermore, the customers' role in problem-solving issues was to not make complaints nor expect redress for purchasing decisions that were subjectively regretted (i.e. no objective fault with products purchased, or service provided with respect to stated service offering), but rather to take personal responsibility for shopping behaviour.

6.2.5 – Additional findings and contributions

Beyond the theorised structure and nature of the retail service quality construct, this study has contributed to knowledge in terms of additional service quality findings. A finding of interest related to the reaction and interpretation of product stock-outs. From the perspective of the *West*, consistent lack of product availability relates to a negative view of retail service quality.

Based on the findings of this study, a retailer has an obligation to have stock available for their customer. If they could not do this, and they could attribute the fact to a third party (i.e. the manufacturer/supplier), then the consumer would experience little displeasure with the retailer (i.e. it was not their fault). Additionally, consumers had a greater orientation of being satisfied with *general* product availability, and less with *specific* product availability, than would be the norm in the *West*.

The second additional contribution of this study is in the understanding of transition economy culture and values, and how these relate to retail service quality. The instilling of customer service pleasantries (i.e. smiling, saying hello, etc.), which both go against the recent Estonian past in terms of the lack of personal warmth encouraged during the communist period, as well as the level of mistrust of those in authority, were identified. Smiling and open acts of courtesy are not values that align with Estonian culture (the lack of which served employees well during the communist period), but as indicated in the research findings, are now highly rated in how Estonian shoppers view retail service quality.

Additionally, it is suggested that the training and re-training of retail staff may be more difficult within transition economies such as Estonia, because customers have strong expectations of both service performance and social interaction. The caveat to this point is that it may be less difficult to achieve adherence to training initiatives as the retail workers would have a greater propensity to order, and the following of directions.

6.3 – Contributions to knowledge – Detailed review

This study centres on the retail service quality, and transition economy literature. The findings of this study help to contribute to knowledge in these areas in three ways. The first is through a reinforcement of the existing literature based on findings that are consistent with earlier studies. The findings of this study complement previous research by providing a more rigorous theoretical model within an untested environment (i.e. limited retail service quality research).

The second contribution is through the discovering of contrasts to the extant literature, and providing explanations as to why this occurs (i.e. the factor structure of the retail quality construct). The final contribution is through an enhancement of the literature by adding to an existing body of knowledge by exploring relevant phenomenon previously not explored (i.e. retail service quality research within a new market, testing of cross-cultural influences, sub-grouping of factors, role of personal responsibility in shopping).

6.3.1 - Retail service quality construct

The research findings contribute to knowledge about the retail service quality construct in the following ways. Firstly the extant literature has found no existing support that retail service quality measurement instruments hold true within all retail settings (Mehta et al. 2000; Siu & Cheung, 2001; Kim & Jin, 2002; Ellis et al. 2003). There has also been varied support in terms of the number of, and specific dimensions of, the retail service quality construct, and strong support that retail service quality is best defined as a multi-dimensional construct (Brady & Cronin, 2001). With respect to the factor structure of the construct, the findings of this study indicate that within a transition economy such as Estonia, retail service quality is best represented by the three factors of *physical aspects, personal interaction, and problem solving*. This is in contrast to the five factor model purported by Dabholkar et al. (1996). The three factors are not meant to indicate a lesser maturation of the shopping process, but rather the theorised factors sufficiently capture the boundaries of retail service quality within a transition economy such as Estonia.

Secondly, previous studies have included a *reliability* factor in the conceptualisation of the retail service quality construct (Dabholkar et al. 1996; Ellis et al. 2003), while the standpoint of this research was to exclude the *reliability* factor. This position is supported by the work of Malhotra et al. (1994), in that a reliability factor is better suited to environments with advanced technology, affluence, and competition. These conditions did not exist within the Estonian retail environment, thus questioning the relevance of the factor in measuring the retail service quality construct within a transition economy. Empirically, the subsequent testing of a model of retail service quality, including a reliability factor, resulted in a poorer fit than the proposed three-factor model (Table 5.15 pg. 143).

Thirdly, this research has advanced the literature in terms of knowledge of the retail service quality construct, and the validity of estimates of the variables of interest (Churchill, 1979). The few published studies of the service quality construct within a transition economy (Chang et al. 1999; Ellis et al. 2003) did not indicate they had used the required research rigour and procedures to develop their scale instruments as recommended in the marketing literature (Deshpande, 1983; Peter & Olson, 1983).

A contribution of this study is in an improvement of existing scale instruments of retail survey quality, by testing a survey instrument relevant to transition economy consumers. The generation of new items (items with greater relevance to transition economy consumers), advances the understanding of the content, and face validity, of the construct, and improves the validity of the findings of a retail service quality model based on Estonian consumer perceptual data. Thus, from a theoretical standpoint, this research has tested for content validity of how well a new scale instrument represents the measurement of retail service quality in Estonia (Peter, 1981; McDaniel & Gates, 2004), and advances knowledge of the items that adequately covered the construct being investigated (Haynes et al. 1995).

The findings of this research advance the understanding of the retail service quality construct in terms of its relationship to other constructs of shopping behaviour. This research extends previous research that has demonstrated a strong link between brand attitude and customer loyalty (Selnes, 1993; Low & Lamb, 2000; Delgado-Ballester & Munuera-Aleman, 2001; Taylor & Hunter, 2003), by being the first study to empirically test this concept within a transition economy. In terms of the predictive validity of retail service quality, this study also supports the linkage of customer loyalty and retail service quality. Furthermore, a more sophisticated technique for analysing how the three retail service quality factors and the merchandise factor have a significant effect on Estonian customers' attitude to the retail brand was made. This finding was also advanced by demonstrating how customers' attitude to the retail brand is the main determinant of customer store loyalty, with support from the location attribute. If we add the indirect effects then retail service quality dominates the influence on customer store loyalty.

6.3.2 - Physical aspects

The dimension labelled *physical aspects* as defined by Dabholkar et al. (1996) was an extension to the SERVQUAL *tangibles* factor (Parasuraman et al. 1998), to include both appearance and convenience related items. This definition of the factor, as a measure of the physical indicators of the retail experience, including the look or aesthetics of the store (i.e. the look of the merchandise displays; the store has a modern look about it), and the store layout (i.e. easy to find what you want; ease of shopping) was supported in subsequent studies by Mehta et al. (2000), Sui and Cheung (2001), and Kim and Jin (2002). The findings of this research also supported this element of the factor.

The advancement in understanding of the physical aspects dimension as it pertains to a transition economy came from extending beyond the *Western* interpretation of the factor. The contribution of this study is derived from the inclusion of more transition economy relevant attributes. The findings suggest that physical cues, as indicative of the service quality process, are based on the utilitarian focus of product acquisition, and less with specific product choice.

The dominance of physical cues in defining the physical aspects dimension is attributed to the limited history of Western-style shopping opportunities, but more importantly, a greater history of dealing with chronic product shortages (Kovrig, 1999). Finally, variables relating to the ease of shopping are more a reflection of a need for self sufficiency in the activity and ability to control the process, which had not previously been examined in the literature.

6.3.3 - Personal interaction

At the factor level of analysis, support to the existing literature relating to the *personal interaction* factor was evident. Prompt, efficient service, and its relationship to perceptions of positive retail service quality was strongly supported in the literature (Westbrook, 1981; Dabholkar et al. 1996; Kim & Jin, 2002), and was not challenged in this research.

Many of the attributes that represent positive service quality for this factor mirrored those in the literature (Dabholkar et al. 1996). Additional variables that identify and capture changes in the ability of transition economy consumers to freely express and desire these types of actions were also found. The expectation of being treated with respect, as an overt personal display of deference by the retailer to the customer, aligns with the historic collectivist nature of the culture of countries such as Estonia (Hofstede, 1980; Realo & Allik, 1999). The transition from the communist system has allowed this prevailing orientation to re-emerge (Reykowski, 1994).

Those consumers who believed the salesperson was the expert aligned with the findings of Realo et al. (1997) as a collectivist scale measure of obedience, and the Schwartz and Bardi (1997), conservative, value. A contribution of this research in understanding this factor is that Estonian consumers may have a wider expectation than in developed markets as to the role of the salesperson.

6.3.4 - Problem solving

The third factor of the retail service quality construct has been previously defined as the manner in which salespeople handle customer complaints, or the returning or exchanging of products (Mersha & Adlakha, 1992; Dabholkar et al. 1996; Mehta et al. 2000; Sui & Cheung, 2001). The inclusion of this dimension was validated in the study findings, and expanded upon in its reflection of how personal responsibility plays a role in shopping behaviour in Estonia.

The existence of formalised, defined processes best indicated positive retail service quality in Estonia. The literature has supported the inclusion of this dimension in retail service quality research in terms of service recovery research and a retailer's ability to make things right as an important component of service quality (Hart et al. 1990; Swanson & Kelley, 2001). Where this study has advanced the understanding of the factor is that within a transition economy the satisfactory delivery of such practices was not the defining aspect. The mere presence of objective processes was the relevant component in defining how the retail service quality construct should be formulated.

6.3.5 – Additional findings and contributions

The impact of temporary stock-outs, from a Western perspective, has been extensively examined in both the retailing, and supply chain management literature (Schary & Becker, 1978; Emmelhainz, Emmelhainz, & Stock, 1991). There has been a consensus in the literature that stock-outs do have an affect on consumer behaviour, but the exact cost to the supply chain members is difficult to judge (Walter & LaLonde, 1975; Zinn & Liu, 2001).

Researchers have found that stock-outs can lead to lower customer satisfaction, and that consumers who consistently experience stock-outs have a greater propensity to switch brands, purchase less, and ultimately reassess their choices for future store visits (Merrilees & Miller, 1996; Fitzsimons, 2000). Others have found that failures in the process of service delivery, as measured by the role of in-store salespeople, was of greater cause for consumer dissatisfaction than tangible service problems such as stock-outs (Smith, Bolton, & Wagner, 1999). Although unanimity in the literature has not been reached in terms of the impact stock-outs have, there has been strong support that an effect does occur.

The findings of this study appear to contradict the cited literature in this area. For the survey question "The store is rarely out of stock on items" the Estonian subjects rated this as indicative of retail service quality. The interpretation drawn from the overall research findings was that this question, as asked, did not clarify whether the subject was stating that the store had the specific product they were shopping for in stock, or rather that there was some product available for purchase.

The implication drawn is that Estonian shoppers, by having more familiarity with product shortages (Mieczkowski, 1975; Kovrig, 1999), are satisfied with *general* product availability, and less with *specific* product availability. This point was evident from comments about positive in-stock positions and positive retail service quality. Although having products in stock is strongly supported in the retail literature as being a driver of retail success (Fitzsimons, 2000), the focus in Estonia is different.

The final contribution of the research findings centres on the role of culture as it relates to a transition economy in terms of theorising the retail service quality construct. Based on the examination of the retail literature, questions were raised as to the relevance of existing measures of retail service quality fully capturing the construct from a transition economy's consumer perspective. As the research literature has identified non-trivial cultural differences between inhabitants in transition and developed countries (i.e. Collectivist/Individualist orientation; Schwartz Value Index; World Values Surveys; discussed in Chapter 2), this research has helped to advance understanding of the factors Estonian consumers considered important in assessing service quality, and by extension, other similar transition economy cultures.

As purported by Svensson, (2001), any theoretical model of retail service quality has potential cultural limitations, but in comparison with previously-identified measures of retail service quality (Westbrook, 1981; Carman, 1990; Dabholkar et al. 1996) the findings empirically demonstrated that consumers within a transition economy have a narrower view of what constitutes retail service, as reflected by their cultural orientation. The defining of the three factors is consistent with the research literature in terms of using scale measures that are regional or culture specific in order to increase the face validity and measurement reliability of a retail service quality scale instrument (Winsted & Patterson, 1997; Imrie et al. 2002). The contribution comes from being the first known case where culturally relevant variables have been both developed and integrated with existing retail service quality measures in order to model the construct. These findings lend credence to the literature questioning the application of existing service quality concepts into culturally-different environments (Winsted, 1997; 1999).

There is strong evidence in both the research findings and cultural literature (Schwartz & Bardi, 1997) that Estonians are amenable to maintaining the status quo and traditional order within a retail setting. This is in contrast to what Ingelhart (1997) referred to as a natural progression to a greater orientation to *well-being* values as people become more economically secure, and less focused on mere survival. The implication would be that based on economic development, Estonian consumers should demand greater customer orientation by retailers, but if the cultural orientation to status quo and traditional order is stronger, then this change may be less evident than in other economically developing countries.

Although previous studies have proposed the incorporation of national culture characteristics in the development of retail service quality scales (Ellis et al. 2003), this research is the first to test the validity of existing measures in Estonia. The qualitative findings highlighted a number of characteristics of how Estonian consumers evaluated service within a retail setting, and these findings could be slotted within the three identified retail service quality factors. Additionally, the transition economy literature did not refute that some Western dimensions and concepts of service quality would extend to transition economies, thus a basis of commonality that allowed for the theorising of a transition economy retail service quality model.

6.4 – Contribution to retail practice

The retail sector within transition economies such as Estonia represented a virtually ignored field of study during the communist period, but since the return of independence from the Soviet Union, has emerged as a growing and significant component of both economic and employment growth (Statistical Office of Estonia 2003; Semionoviene, 2003). For retail practitioners (both domestic and those wishing to expand into transition economies) this research provides a greater depth of understanding of how the measures of retail service are perceived by consumers, and how these measures can be linked to shopping behaviour (Cronin & Taylor, 1992; Dick & Basu, 1994; Sirohi et al. 1998; de Ruyter et al. 1998).

The retail practice literature has a long history of examining the drivers of retail practice (Ahmad & Buttle, 2002; Pal & Byrom, 2003), but as reviewed in Chapter 2, few contributions to retail practice in transition economies have been grounded in the rigour of academic research. This section reviews how the contributions to knowledge discussed in the previous section lead directly to contributions to retail practice. The three areas of focus to retail practice are; opportunity for improvement; increased understanding of service quality; and response to the research findings. Each of these three areas of contribution to retail practice is reviewed in turn (Section 6.4.1-6.4.3).

6.4.1 – Opportunities for improvement

The findings of this research as represented by quantifiable data, from three different consumer samples, provides a variety of insights as to how Estonian shoppers perceive retail service and shopping behaviour in Estonia. These findings represent a previously unknown source of information that both the Estonian retailers included in the studies, and other domestic and international retailers can use in terms of improving retail practice. As measured by the standard deviations of the responses to the survey questions, there are wide ranges of perceptions about these measures, even accounting for differences in specific store preference. Although the findings indicate Estonian consumers perceive the performance of the sample stores as above average in the vast majority of retail service quality variables, they nonetheless represent an important opportunity for performance improvement in all cases.

With respect to the retail service quality measures, as indicated in Chapter 5 in all three survey studies the participant mean ratings, for all items, were average at best (i.e. no averages above 8.0 in Studies 1 and 3, and 3.0 in Study 4). Each dimension and each individual retail service indicator has an identified opportunity for improved performance, which as shown, also pertains to a need to improve customer loyalty and attitude to the retail brand measures. Of further interest to retail practice would be the overall higher ratings of *physical aspects, and personal interaction* variables in comparison to the *problem solving* measures which held true throughout the waves of data gathering.

In addition to the quantitative findings, the qualitative findings of Study 2 brought in Estonian or transition economy cultural variables into the analysis as surfaced by Estonians themselves. These findings support the position that retail service quality is a relevant construct for measuring retail performance from an Estonian perspective, and that there exists a need to include specific retail service measures that are of relevance to Estonian consumers, variables that are appropriate, or differ in context, to those of the West.

Retailers can use this information to develop and implement policies and procedures that best align with the identified dimensions that are deemed important to Estonian consumers. As these research findings represent one of the first known empirical tests of a retail service quality scale grounded in the culture of a transition economy, its findings add to the confidence that retailers in Estonia and similar transition economy countries should have in the use of such performance measurements.

6.4.2 – Increased understanding of retail service quality

The findings of this study provide retailers, both Estonian and international, with an increased understanding of the retail service quality construct in two ways. The first is that there are non-trivial differences with respect to how the three theorised factors of retail service quality should be interpreted. For *physical aspects* measures there was evidence that the speed of shopping was offset in importance by ensuring shopper self sufficiency, and that having general product availability was more important than specific product availability. For *personal interaction* measures the importance of overt sales person acts of respect and courtesy, but also demonstrating knowledge and authority was evident. Finally, for the *problem solving* measures the existence of formalised product returns and exchange procedures are more important than processes that are general and more flexible as Estonian consumers are willing to take more personal responsibility for making correct purchasing decisions.

Although all three theorised dimensions defined the retail service construct, of the three the *personal interaction* dimension was the more complex. A demand by Estonian consumer for both knowledgeable salespeople, and salespeople who demonstrate customer deference, was evident in the findings. Thus retailers must refocus their efforts on the role of the store staff as their performance will be the builders of improved attitude to the retail brand and customer loyalty. Each of these findings has potential implications for retail practice in terms of retailer brand definition and differentiation.

The depth and breadth of the retail service data collected, and the inclusion of the vast majority of the Estonian retail store brands in the sample, enhances the value of the findings in terms of the relevance or face validity of the scale items as being strongly representative of the department store/discount store/hypermarket sector in a transition economy. The resulting scale survey instrument measured both individual retail service practices, as well as evaluating higher levels of performance at the factor level. Additionally, there was evidence that at both a composite level, and at the more restricted dimension level, retail service measures must be tailored to the degree of "transition" of the country/region. For instance retailers in less "transitioned" countries (i.e. Ukraine, Belarus) may not be able to address the *personal interaction* and *problem solving* issues due to less familiarity of their consumers with such practices, and an inability to easily instil these practices upon their selling staff. Instead these retailers can start with more tangible measures such as an improved look of the store, including increased, general product availability.

At the other extreme, domestic retailers in highly "transitioned" countries (i.e. Czech Republic, Poland) must move towards the adoption of best practices of the West in order to compete, as these markets become more attractive to foreign competitors. The use of the findings of this research may delay the entrance of retailers from the West if there is a sense that there are fewer areas in which to compete in terms of retail practice, as well as being seen as a foreigner in more collectivist cultures. Thus the added depth of measures that are culturally relevant, or emic, measures in determining relevant retail service quality measures are suggested.

The second perspective of understanding results from the collection of detailed information on what Estonian consumers want in the areas of retail service. The qualitative research techniques used in this study helped to more accurately uncover and specify how Estonians define retailing shopping processes, and thus provide support for the three theorised factors of retail service quality (Frankfort-Nachmias & Nachmias 1996). The value of these findings to retail practice lies in the descriptions Estonians had about their actual retail service experiences. There was little indication that Estonian consumers have trouble defining in their own terms what amounted to “good” versus “bad” service which bodes well for the use of existing retail research techniques, particularly focus groups, in the collection of retail practice opinions and customer survey programs.

In brief, the rapid and fundamental changes that have occurred within a number of social, political, and economic environments in Estonia, has played a role in how consumers evaluate retail practices in comparison to developed markets. The findings of this study suggest that both Estonian consumers and Estonian retailers are fully aware of the value of providing superior retail service, but there is a more limited context of these drivers of service in comparison to the West. The focus of retail performance on the individual retail service quality items can be judged in accordance with the divergence, or similarity, of the transition economy cultural values, and because the scale items were grounded in the literature, and enhanced through extensive qualitative research, future modifications to the survey instrument, based on the country of study and changing retailing trends, can readily be made (Dabholkar et al. 1996).

6.4.3 – Response to the findings

In terms of how retail practitioners should respond to the findings of this study, the first implication is that Estonian shoppers are focused on tangible facets of the *physical aspects* of a store. Two of the indicators, “The displays have plenty of helpful signs so I can find the products I am looking for” and “Self-selection at this store is easy and well guided”, align with the identified need for self sufficiency in shopping therefore Estonian retailers must focus on both the generic *physical aspects* measures such as look of the store as well as more transition economy-specific attributes of self service. The availability of in store directories or better use of store signage, are suggested.

The second implication is that as noted, Estonian consumers have a broader interpretation and perception of *personal interaction* indicators that a retailer should provide in comparison to the West. The findings suggest the role of the store staff in representing retail service quality, both positive and negative, should be addressed. This demand for both knowledgeable salespeople, and salespeople who demonstrate customer deference, may prove difficult in terms of training and staff retention in Estonia. Although it is something Estonian consumers expect, to instil customer service pleasantries in Estonian salespeople (Baron, Harris, & Davies, 1996), goes against the recent past in terms of the lack of personal warmth, and the natural Estonian character (Lieven, 1993). Thus, in order to improve performance in this area may take time to develop, but the ability of retailers in balancing delivery in this area with other retail operational factors will represent an ongoing performance opportunity.

Thirdly, for *problem solving* issues, the existence of formalised processes and shopper accountability appeared to outweigh the ease and flexibility with respect to the return or exchange of goods. Furthermore, if Estonian consumers believe they have been dealt with unfairly, they may be more inclined to seek redress from a formalised body and not directly from the retailer, than would occur in the West. As Estonian consumers are more aware of their recently-acquired legal rights when it comes to retailer practices (i.e. the Consumer Protection Board, and the Consumer Protection Act - Tarbijakaitseamet, 2004), retailers will benefit from a greater relationship with the retail authority organisations themselves. To address potential consumer issues prior to the formalised enforcement stage, retailers need to ensure in-house policies and practices for complaint resolution are effectively communicated to customers. By working with the retail authority organisations will improve how their policies and practices are developed and administered.

Finally, beyond retail service, in order to improve customers attitude to the brand, and customer loyalty, there may be little to gain in terms of this goal in the short term by going beyond the basic service needs, based on the Estonian customer ratings (i.e. only one of the four measures of customer loyalty, and one of the three measures of attitude to the retail brand scored above four out of nine in Study 4). Both domestic and foreign retailers may find little value in fully instituting Western style service and loyalty programs within markets such as Estonia in the near term as Estonian customers have not reached a stage of loyalty based on historic mistrust of institutions. Conversely, in the longer term, customer loyalty can grow as there is definitely room for improvement in these areas, and retailers who do not address these issues are susceptible to those that do. In other words, retailers can still benefit from understanding how to improve customers' attitudes about a retail brand, and customer loyalty by learning how it is done in the *West*, but also need to know how these same drivers align and differ with respect to the identified idiosyncrasies of the *East*.

6.4.4 – Additional findings and contributions

The findings of this study have shown there is an apparent difference in the role of stock-outs as being an important measure of retail service between developed and transition economy consumers. Although the prevention of stock-outs is a key driver of retail operations within developed markets, these findings support the position that preventing stock-outs may be less critical to a store's overall success if substitute products are available. The implications of the findings are that if a store is intent on making their store a customer's preferred shopping destination, an in-stock position may not be significantly more important than other retail service variables.

With respect to transition economy values, a relevant finding of this study is that retailers who solely use retail metrics developed to measure retail performance within their home country may misinterpret the relevance of these measures in how transition economy consumers evaluate retail service. They may also suffer in terms of not accounting for consumer service perceptions of measures that are more aligned with retail service quality in areas unique to the region. This conclusion is not new, as it is at the centre of the global/local (i.e. standardisation/adaptation) international marketing debate (Kumar, 2000), but the findings of this research are relevant for retail practitioners in how consumers within transition economies evaluate both *Western* and local indicators of service quality.

In brief, accounting for cultural variables within such studies will allow for an increased understanding of global, versus regional, versus local, retailer performance drivers. In particular, what legacies of the former Soviet system have permanently shaped consumer behaviour within these markets, and what aspects of service performance must foreign retailers wishing to enter these markets, alter or adapt from their current practices?

6.5 – Contribution to cross-cultural research methods

Beyond the contributions to the research literature in the area of interest, this study has helped both to support and enhance the need for appropriate research methods when conducting research within transition economies in general, and Estonia specifically.

The research methods employed in this study adhered to the best practices recommended in the international marketing research literature (Cavusgil & Das, 1997; Craig & Douglas, 2000; De Burca et al. 2004). The extensive field work and collaborative research requirements of such work helped to reinforce the increased degree of complexity in conducting such studies, as well as the need to respond to cultural and language differences during the process (Sechrest et al. 1972; Nevid & Sta. Maria 1999). As noted in Chapter 2, examples of literature on conducting marketing research in transition economies was limited beyond the notation of the additional challenges to be faced (Batra, 1999; Craig & Douglas, 2001). This research helps to add to the understanding of conducting such marketing research by providing concrete examples of those challenges and ways in which they can be overcome.

This study also helps to address the increased difficulty of conducting studies in transition economies because of poor sources of secondary information (Kaynak, 1984; Davis, 2000; Åslund, 2002). The lack of available, reliable, and diverse, secondary data resources will continue to be a problem within transition economies such as Estonia unless these types of studies continue. Thus, a greater emphasis on conducting empirical studies in order to develop a body of usable knowledge about the area of interest is required.

An added benefit to conducting empirical studies is to encourage a comfort level among consumers and retailers with Western ways of conducting marketing research in countries such as Estonia. The engagement of a number of research collaborators, in order to ensure all possible positions of interest are brought forth, is of great importance when conducting transition economy research. Each transition economy study is advantageous to future researchers through a lessening of the hesitancy by local subjects to share relevant personal information (Randall, 2001). As research participants better understand the benefits to knowledge of participating in such studies (for instance a greater understanding of retail theory and practice), earlier fears of possible negative personal consequences through sharing of personal information and personal opinions weakens (Hashi, 1998).

The extensive use of qualitative research methodologies was also a contribution of this study. Qualitative research can offer insight into how transition economy consumers think about a phenomenon (de Ruyter & Scholl, 1998). The use of qualitative research helps to address the greater level of variation in respondents' comfort levels and/or lack of prior exposure to the testing formats within transition economies, which can influence item responses, and may have implications for the interpretation of the results obtained (Craig & Douglas, 2001).

These challenges, as shown by this study, can be overcome by using multiple studies, having close collaboration with local research administrators, and also conducting multiple field trips to the regions in order to tangibly demonstrate the researcher's personal interest in exploring the research questions. The voices of locals were strongly represented in the development of this research agenda; thus the use of multiple qualitative information-gathering techniques ensured greater confidence that the correct operationalisation of the constructs of interest, for later quantitative testing, was the result.

Finally, it is suggested that this study has also contributed to the research literature by reinforcing the need for arguably redundant data collection in order to improve the relevance and validity of research findings. As recommended in the number of studies that have referred to Churchill's 1979 seminal work on scale development (see review in Flynn & Pearcy, 2001), this study represents one of the first known examples of research within a transition economy that addresses the need for multiple studies, multiple samples, and sufficiently large samples in order to develop and test scales measures of a marketing construct.

To conclude, consistent with calls for more marketing research within transition economies (Springer & Czinkota, 1999), this study helps to address this issue through the use of sound research principles, both consistent with Western research agendas, and adaptive techniques to account for local differences. The adherence to such practices has resulted in better measures of marketing constructs for application within transition economies.

6.6 – Answer to the research question

The purpose of this dissertation was to answer the research question *"How do consumers perceive retail service quality in transition economies?"*. As laid out in Chapter 4, four research issues were proposed (Table 6.1). By addressing these four issues, the research question was answered. The extent that each issue was resolved is reviewed.

Table 6.1 – Research issues

Research Issue One: Can Western concepts of retail service quality be applied to a transition economy like Estonia?
Research Issue Two: How should the retail service quality construct be conceptualized in Estonia?
Research Issue Three: What are the factors of the retail service quality construct in Estonia?
Research Issue Four: What is the relationship of the retail service quality construct to shopping behaviour in Estonia?

Overall, the four research issues guided the findings to answer the research question. Using Estonia as an indicative transition economy, and by conducting multiple independent research studies, a number of findings have resulted that advance the understanding of the answer to this question. These are reviewed in turn.

The first aspect of the question related to consumer perceptions. This study has confirmed that the concept of retail service quality is both familiar to, and important to, Estonian consumers in how they view retail performance. Based on the study findings, retail service quality is best depicted as a three-factor construct, defined by multiple measures of each factor. Multiple Estonian consumer quantitative and qualitative data strongly supported this conceptualisation of retail service quality as represented by physical, or tangible, indicators of retail service; interactions between customers, service providers, and selling staff; and a need for the existence of mechanisms to handle customer problems in a formalised fashion.

As reviewed, the purpose of Study 1 was to address Research Issue One, or to measure the extent to which existing retail service quality scale items extend to a transition economy such as Estonia. Study 2 addressed Research Issue Two by bringing to light Estonian-specific retail service quality items, and thus account for transition economy cultural differences. Study 3 revisited Study 1, but focussed on determining which Estonian scale items should be added, and what factors best define the construct. The findings strongly supported the notion that both emic and etic measures of retail service quality are required in order to best measure the construct in Estonia, thus addressing Research Issue Three.

Study 4 developed and validated an Estonian retail service quality scale instrument. The scale is purported to better capture the construct from a transition economy perspective. Furthermore, Study 4 attempted to speak to Research Issue Four, and determine the relationship of the retail service quality construct to shopping behaviour within a transition economy, in this case, attitude to the retail brand, and customer loyalty.

The study has also established some material differences between Estonian consumers and their Western counterparts in the way patrons of discount and department stores form perceptions about service quality and other shopping constructs. Such differences as: a greater focus on general, versus specific, in-stock positions; a more dichotomous expectation of service provider customer deference and expertise; and formalised customer complaint procedures; could be tested in future research in retail sectors within other transition economy countries, and other retail categories, as well as at the individual product or brand level.

Finally, based on the study findings, it would seem that service is a leading indicator of customer loyalty. This position may be attributed to a lack of variety in other retail drivers such as merchandise assortment and merchandise prices as offered by discount/department stores in Estonia, as well as a result of the relatively short history of free market forces on pricing and assortment. The implication is that there will be a greater opportunity to use other shopping behaviour variables as retail store differentiators in the future, but that service drivers are more critical in the near term. It is possible that a convergence in construct relevance may become less striking over the next five to ten years as consumers develop greater confidence in shopping behaviour, and the result would be greater store loyalty based on increased retail brand preference.

6.7 - Implications for future research

In terms of direct application of this research, other venues of future study include testing of the proposed scale instrument into regions of similar transition economy culture and development (i.e. Latvia, Lithuania, Slovenia). The scale instrument can also serve as a basis for extension to less similar cultural regions in transition (i.e. China, Vietnam).

Beyond perceptions of service quality variables, future research could examine psychological relationships between consumer perceptions and pricing practices, and public policy and pricing, something that was of limited consequence during the communist period. Because consumers within transition economies have had a short history of relating to external or objective definitions of functional quality, specifically during the Soviet period, consumers tended to take the simpler route to relating price and availability of goods, as proxies for quality (Good et al. 1995).

The implications of retail pricing practices such as every-day-low-prices (EDLP) versus promotional pricing (Levy & Weitz, 2004), as well as larger retailing questions such as why international retailers may or may not succeed within transition economies (Burt, Dawson, & Sparks, 2003), would also serve as interesting fields of study. These types of questions could benefit from conducting interviews with both the retailer, and the actual service providers (i.e. salespeople). Retailers may also use this type of study to focus on the individual drivers or scale items relating to service, to longitudinally track performance scores.

Furthermore, as the retail sector continues to develop within transition economies, the types of products and services sold will also change (Fletcher & Melewar, 2001), and a better understanding of how best to match retail operations to the identified non-Western customer expectations will increase in importance. This type of research will benefit from a greater focus on the use of emic based scales and research instruments because of their increased relevance to the local marketing place. Finally, a focus on the similarities and dissimilarities of retail practices across transition economies in the three identified factors of retail service quality, in terms of the role of consumer protection laws, privacy, store liability (Fletcher, Bell, & McNaughton, 2004), employment issues (Alexander, 1997), and retailer success, would be of interest.

In brief, the additional use of qualitative research techniques for transition economy study is needed. Although greater challenges are involved in terms of both gaining access to locals and local research collaborators, the use of qualitative techniques helps to address criticisms of Western developed marketing tools and research techniques naively being extended into non-Western markets. As seen in this study, in comparison to quantitative techniques, the less structured nature of qualitative research techniques can effectively, and more credibly, uncover and capture how non-Western consumers interpret and evaluate marketing phenomena (Craig & Douglas, 2001).

6.8 - Limitations of study

Although the inclusion of multiple samples using multiple store brands were employed to address the research issues, only one type of retailing was selected. Different retail categories might call for different perspectives, so in that particular context the results are conditional. Thus, the proposed three dimensions of retail service quality would be perceived to work up to an extent in other retail formats, but would require adjustment based on the degree of service provided, and products sold.

As discussed in Chapter 1, all research has limitations based on the scope and choice of research methods (Glatthorn, 1998). This study was confined to research data from one country and one type of retail operation. Using one type of retail format limits the findings to this category of stores, and is an example of a retail service type, namely department/discount stores, rather than a portrait of all retail services. For example, a relationship between customer *expertise* and retailer *trust* was not examined, as they do not facilitate retail service quality perceptions in shopping at department/discount stores, but may be relevant factors in shopping at other types of retailers such as specialty stores (Reynolds & Arnold, 2000). However, the data may be generalised to this segment of the population (large stores, chains), and the results should therefore be interpreted as the perception of consumers to this segment of retailers.

The findings of this study should also be viewed with respect to potentially confounding effects of shopping roles, disposable income (i.e. subjects were department and hypermarket shoppers which implies a certain level of income versus the lowest income shoppers who would not shop these stores but are the dominant shoppers at the "Turg" - central market), and other consumer specific shopping variables. This is a general limitation in retailing research, but these effects were minimised through the use of multiple studies, and multiple sample sets. There was also the possibility of non-response bias, which is a limitation of much of the research in this field. The recommended proxy of comparing early to late respondents did not indicate this as a significant drawback (Armstrong & Overton, 1977). Furthermore, this limitation was lessened as there was little reason to believe non-respondents would have significant differences at the aggregate level of evaluation in terms of impact on the variables of interest, versus those responding, as one of the control elements in all of the studies was a requirement to have recently shopped at the store.

6.9 – Conclusions

The purpose of this chapter was to review the contributions to knowledge that resulted from the findings of this study. The linking of the findings from the four research studies and the extant literature has highlighted a number of contributions in terms of reinforcing, contrasting and enhancing existing knowledge. The contributions to theory in the area of retail service quality research, and transition economy studies, serve as a stepping stone for future research endeavours. The advancement of leading practices in conducting cross-cultural and transition economy research was an additional result.

A secondary purpose of this concluding chapter is to review the contributions this study has made to retail practice, and to summarise how this dissertation has answered the research question, *"How do consumers perceive retail service quality in transition economies?"*. As reviewed, this study has contributed to knowledge in the area of retail practice by both empirically testing theoretically sound conceptual models through the use of actual consumer information, and actual consumer perceptions, of retail activities.

Furthermore, by substantially answering each of the four research issues through a combination of existing theory, extant literature, and rigorous analysis of the findings of four empirical research studies, this research has provided contributions to knowledge in a number of fields. The advancement in the understanding of how consumers within a non-Western market perceive and interpret one of the major fields of marketing, service quality, has been the result. A second understanding is in both the theoretical structure of one field of service quality study, as well as meaningful practical insights within the context of a little-explored, cross-cultural environment.

In brief, beyond the acknowledged areas of research limitations, this study makes an important contribution to both theory and practice. As the retail sector continues to develop in terms of both retail brand and retail format choice within transition economies in general and Estonia specifically, there is a need for a greater understanding of retail consumer behaviour theory and practice, rather than mere consumer data gathering. This study has examined one such component.

This research makes a contribution because it is the first study to extend the boundaries of existing theories of retail service quality to a transition economy, and the first known study to develop and empirically test a retail service quality framework grounded in the culture of a transition economy. The principles for the research framework originated in theory, were grounded in the extant literature, and were advanced by empirical study. The result is a basis for future study.

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Appendices

Appendix 2.1: **Value types and definitions**

Value	**Definition**
Conservatism	Emphasis on the status quo, propriety, and restraint of actions or inclinations that might disrupt the solidarity to the group or the traditional order – *clean, devout, family security, forgiving, honouring parents and elders, moderate, national security, obedient, politeness, protecting public image, reciprocation of favours, respect for tradition, self-discipline, social order, wisdom.*
Intellectual Autonomy	Emphasis on promoting and protecting the independent ideas and rights of the individual to pursue his or her own intellectual directions – *creativity, curious, broad-minded.*
Affective Autonomy	Emphasis on promoting and protecting the individual's independent pursuit of affectively positive experience – *enjoying life, exciting life, pleasure, varied life.*
Hierarchy	Emphasis on the legitimacy of hierarchical allocation of fixed roles and of resources – *authority, humble, influential, social power, wealth.*
Egalitarianism	Emphasis on transcendence of selfish interests in favour of voluntary commitment to promote the welfare of others – *equality, freedom, helpful, honest, loyal, responsible, social justice, world of peace.*
Harmony	Emphasis on fitting harmoniously into the environment – *protecting the environment, unity with nature, world of beauty.*
Mastery	Emphasis on getting ahead through active self-assertion, through changing and mastering the natural and social environment – *ambitious, capable, choosing own goals, daring, independent, successful.*

Source: synthesised from Schwartz, (1994), Bardi & Schwartz, (1996), Schwartz & Bardi, (1997), and Schwartz, Bardi, & Bianchi, (2000).

Appendix 2.2: **Ten dimensions of service quality**

Reliability -- consistency of performance and dependability
Responsiveness -- willingness and readiness to provide service
Tangibles -- the physical evidence of service
Competence -- possessing the required knowledge and skills
Courtesy -- politeness, respect, and friendliness
Credibility -- believability, honesty
Security -- freedom from danger, risk, or doubt
Access -- approachability and ease of contact
Communication -- keeping customers informed
Knowing the customer -- understand customer needs

Source: synthesised from Parasuraman, Berry, & Ziethaml (1985).

Appendix 4.1: **The use of confirmatory factor analysis (CFA)**

Confirmatory factor analysis (CFA) seeks to determine if the number of factors and the loadings of measured (indicator) variables on them conform to what is expected on the basis of pre-established theory. Indicator variables are selected on the basis of prior theory and factor analysis is used to see if they load as predicted on the expected number of factors. The researcher's à priori assumption is that each factor (the number and labels of which may be specified à priori) is associated with a specified subset of indicator variables. A minimum requirement of confirmatory factor analysis is that one hypothesise beforehand the number of factors in the model, but usually also expectations about which variables will load on which factors. The researcher seeks to determine, for instance, if measures created to represent a latent variable really belong together.

Source: synthesised from Kim & Mueller (1978); Kline (1998); Kaplan (2000).

Appendix 4.2: **General protocol (English version) for focus group sessions**

(a) Image you are looking for a product at XXXX store. You get to the shelf where you think you would find the product. It is not there. What do you do? How does this make you feel?
(b) You go to XXXX store because you had a problem with a XXXX product you bought. What do you do?
(c) What would you expect the store to do?
(d) What makes good service?
(e) What makes bad service?
(f) When you go to XXXX looking for an item you haven't purchased previously, describe how you go about finding the product
(g) After doing this, if you still haven't found the product you were looking for, what do you do?
(h) How could the store help with this situation?
(i) You find the product you were looking for, but have a question about it. What do you do?
(j) You have found the products you were looking for, and proceed to the check out area. Describe what happens in a good check out process.
(k) Now describe what happens to make a bad check out process
(l) How long should a good check out experience take?
(m) When you go shopping at XXXXX store, do you plan on how long you will spend there?
(n) How long does a typical shopping trip at XXXX take?
(o) If a shopping trip takes longer than you planned, what do you do?
(p) How can XXXX assist you in making your shopping trip shorter?

Source: developed for this study

Appendix 4.3: **Estonian retailers**

Tallinna Kaubamaja – Part of the Tallinna Kaubamaja Group – The Tallinna Kaubamaja department store opened in 1960 as a state enterprise - It is the oldest department store in Estonia – It was privatized in 1994.

Maksimarket – Maksimarket was the first hypermarket in Estonia when it opened in 1994 in Tallinn – It is part of the ETK Group which is the "Central Society of Estonian Consumers` Co-operatives" representing 24 consumers` co-operatives.

Prisma – A hypermarket which is part of the Finnish retail firm SOK – It started operations in Estonia in 2000 and has four (4) stores located in Tallinn.

Selver – A hypermarket and subsidiary of the Tallinna Kaubamaja Group – It has seven (7) stores in Tallinn.

Stockmann – A department store located in Tallinn Estonia – It is part of the Finnish department store chain of the same name – It opened in 1996, and was enlarged from two to five storeys, becoming the largest department store in the Baltic countries in 2000.

Source: synthesised from;
http://www.kaubamaja.ee;
http://www.etk.ee/eng/index.php?leht=3;
http://www.prismamarket.ee/ettevote.php?lang=est;
http://www.stockmann.fi/portal/english/stockmann_group/;
OMS (2004) Guide to Baltic Market 2004-2005

Appendix 5.1: **Goodness of fit indices definitions and relevance**

- Chi-square ($\chi 2$) indicates the fit of the model is significantly worse than if it had additional paths as indicated by the degrees of freedom
- Normed Chi-square ($\chi 2$) divides the Chi-square value by the degrees of freedom – overcomes sensitivity of Chi-square value to sample size - good fit between 1.0 and 3.0
- df - Degrees of freedom is the number of observations in the data free to vary
- GFI – Goodness of fit index – range from 0.00-1.00 – generally less sensitive to sample size in comparison to Chi-square - the proportion of observed covariances explained by the implied covariance – good fit >0.90
- AGFI – Adjusted goodness of fit index – range from 0.00-1.00 – absolute indicator of fit comparing the hypothesised model to no model – accounts for model complexity - good fit – values >0.90 and close to 1.00
- TLI – Tucker-Lewis coefficient (also known as the Bentler-Bonett non-normed fit index - NNFI) – range from 0.00-1.00 – indicates the overall fit of the proposed model in comparison to a null model (an independence model) – good fit – >0.90
- RMSEA – Root mean square of approximation – how well would the model fit the unknown population covariance matrix - good fit <0.05, adequate fit <0.08
- AIC – Akaike's information criterion – parsimony in the assessment of model fit – reflect the extent parameter estimates from the original sample will cross-validate with additional samples – should be substantially smaller than an independence model
- SRMR – Standardised root mean square residual – is a standardised average of the covariance residuals – the difference between the observed and implied covariances – values should be <.10
- Beta – Standardised regression weight – loadings of a proposed scale item on the theorised dimension
- C.R. – Critical ratio for the regression weight – standard error above 0 – should be >1.96
- p – Level of significance for regression weight
- Adjusted R Squared – measure of the variance explained

Source: synthesised from Kline (1998); Arbukle (1999); Kaplan (2000); Byrne (2001).

Appendix 5.2: **Study 3 – Retail service quality scale items**

1	This store has clean and fresh visual lines of merchandise displays
2	This store does its best to keep products I buy in stock
3	The displays have plenty of helpful information about the merchandise
4	This store is clean and tidy
5	This store has a modern look about it
6	This store provides the best shopping layout for me
7	This store provides interesting things to do
8	This store is rarely out of stock on items
9	This store provides helpful signs so I can find the products I am looking for
10	I can always find the product I am looking for at this store
11	This store always has the product I am looking for in stock
12	Self-selection at this store is easy and well guided
13	The merchandise displays at this store look good visually
14	Selling staff are available and quick to help
15	The selling staff at this store ensure that I am pleased with my purchase
16	Selling staff at this store are always polite
17	When I need assistance I always try and find the same selling staff to help me
18	Selling staff at this store say hello
19	The selling staff have a genuine interest in meeting my shopping needs
20	This store treats me with respect
21	I listen to the advice that the selling staff provide
22	Selling staff are always courteous with customers
23	Selling staff at this store do not pressure me to buy something
24	The selling staff at this store treat me with respect
25	I take the advice that the selling staff provide
26	This store has a fast check-out
27	Selling staff at this store show appreciation for my business
28	Selling staff at this store smile
29	The employees at this store give you confidence for your shopping
30	The selling staff at this store treat me like an equal
31	This store has knowledgeable staff who can answer customer queries
32	I view the selling staff at this store as retail experts
33	Staff willingly handles returns and exchanges of merchandise
34	This store has an excellent merchandise return policy
35	This store provides customers with written returns and exchanges policies
36	When a customer has a problem this store shows a sincere interest in solving it
37	This store willingly provides refunds or exchanges for non-damaged goods
38	This store always provides the best solution to my complaints
39	When I have a complaint, I know what this store will do to solve it
40	This store goes out of its way to solve customer problems
41	This store willingly provides refunds or exchanges for damaged goods
42	This store provides a written complaint handling policy
43	When a customer has a complaint, this store informs the customer about their legal rights in addressing the complaint
44	This store provides a written returns and exchange policy
45	I have no difficulty in returning products to this store
46	When a customer has a problem this store always provides the right solution

Source: synthesised from Parasuraman et al (1985; 1988); Dabholkar et al. (1996); developed from qualitative findings of Study 2

Appendix 5.3: **Study 4 survey (English version)**

The University of Western Ontario, in London, Ontario, Canada, is conducting a shopping attitude study of Estonian stores. Thank you for participating in this confidential survey (we do not need your name).

Name of store.......................................…………......…………….…………….…...

Is this your favourite department store?	YES	NO	[circle one]
Have you shopped here in the last six months?	YES	NO	[circle one]
Are you?	MALE	FEMALE	[circle one]

What is your age group? Under 25 26-40 41-55 56 and above [circle one]

Regarding your shopping experience at this store, for the following things please circle 1 if you strongly agree with the statement and 9 if you strongly disagree. A score of 5 represents a neutral feeling;

		(Please circle score)
1	This store is clean and tidy	**1 2 3 4 5 6 7 8 9**
2	The merchandise displays at this store look good visually	**1 2 3 4 5 6 7 8 9**
3	This store is rarely out of stock on items	**1 2 3 4 5 6 7 8 9**
4	This store has a modern look about it	**1 2 3 4 5 6 7 8 9**
5	The displays have plenty of helpful information about the merchandise	**1 2 3 4 5 6 7 8 9**
6	This store provides the best shopping layout for me	**1 2 3 4 5 6 7 8 9**
7	Self-selection at this store is easy and well guided	**1 2 3 4 5 6 7 8 9**
8	This store provides helpful signs so I can find the products I am looking for	**1 2 3 4 5 6 7 8 9**
9	This store provides interesting things to do	**1 2 3 4 5 6 7 8 9**
10	The security staff at this store constantly watch me	**1 2 3 4 5 6 7 8 9**
11	This store is strongly Estonian	**1 2 3 4 5 6 7 8 9**
12	This store provides the best shopping environment for the community	**1 2 3 4 5 6 7 8 9**
13	It is convenient to examine merchandise at this store	**1 2 3 4 5 6 7 8 9**
14	The displays are at the right height	**1 2 3 4 5 6 7 8 9**
15	The merchandise arrangements are designed for my convenience	**1 2 3 4 5 6 7 8 9**

16	The colours, and shelf displays, help in choosing merchandise	**1 2 3 4 5 6 7 8 9**
17	There is a manageable selection of merchandise (not too little, not too much)	**1 2 3 4 5 6 7 8 9**
18	Selling staff are available and quick to help	**1 2 3 4 5 6 7 8 9**
19	This store has a fast check-out	**1 2 3 4 5 6 7 8 9**
20	The employees at this store give you confidence for your shopping	**1 2 3 4 5 6 7 8 9**
21	Selling staff at this store give prompt service	**1 2 3 4 5 6 7 8 9**
22	This store has knowledgeable staff who can answer customer queries	**1 2 3 4 5 6 7 8 9**
23	Selling staff at this store say hello	**1 2 3 4 5 6 7 8 9**
24	Selling staff are always courteous with customers	**1 2 3 4 5 6 7 8 9**
25	The selling staff at this store treat me with respect	**1 2 3 4 5 6 7 8 9**
26	Selling staff at this store show appreciation for my business	**1 2 3 4 5 6 7 8 9**
27	This store treats the client as king	**1 2 3 4 5 6 7 8 9**
28	The selling staff at this store watch me too much	**1 2 3 4 5 6 7 8 9**
29	The selling staff at this store provide individual attention	**1 2 3 4 5 6 7 8 9**
30	The selling staff at this store are flexible in their actions	**1 2 3 4 5 6 7 8 9**
31	The selling staff at this store carry out their jobs simply and correctly	**1 2 3 4 5 6 7 8 9**
32	Staff willingly handles returns and exchanges of merchandise	**1 2 3 4 5 6 7 8 9**
33	This store goes out of its way to solve customer problems	**1 2 3 4 5 6 7 8 9**
34	When a customer has a problem this store shows a sincere interest in solving it	**1 2 3 4 5 6 7 8 9**
35	When I have a complaint, I know what this store will do to solve it	**1 2 3 4 5 6 7 8 9**
36	This store provides a written returns and exchange policy	**1 2 3 4 5 6 7 8 9**
37	Generally, products can be exchanged	**1 2 3 4 5 6 7 8 9**
38	This store allows customers to return faulty goods	**1 2 3 4 5 6 7 8 9**
39	This store provides a written complaint handling policy	**1 2 3 4 5 6 7 8 9**
40	The selling staff at this store admit when they make errors	**1 2 3 4 5 6 7 8 9**
41	This store's "sales" and specials are real bargains	**1 2 3 4 5 6 7 8 9**
42	The store location is convenient for me	**1 2 3 4 5 6 7 8 9**
43	This store has reasonable prices (value for money)	**1 2 3 4 5 6 7 8 9**

44	The merchandise at this store is of high quality	**1 2 3 4 5 6 7 8 9**
45	This store has clothing of the latest trends and styles	**1 2 3 4 5 6 7 8 9**
46	The product brands in this store are really good	**1 2 3 4 5 6 7 8 9**
47	The store is close to my home	**1 2 3 4 5 6 7 8 9**
48	There is something special about this store	**1 2 3 4 5 6 7 8 9**
49	I really admire this store	**1 2 3 4 5 6 7 8 9**
50	This store has a good reputation among customers	**1 2 3 4 5 6 7 8 9**
51	This store is consistently good in all that it does	**1 2 3 4 5 6 7 8 9**
52	I plan to shop at this store (again) in the next 6 months	**1 2 3 4 5 6 7 8 9**
53	I plan to recommend this store to others in the next 6 months	**1 2 3 4 5 6 7 8 9**
54	My next purchase is likely to be from this store	**1 2 3 4 5 6 7 8 9**
55	I am likely to spend the same (or more) amount of money in this store in the next 6 months compared to the last 6 months	**1 2 3 4 5 6 7 8 9**

What percentage (%) of your department store/hypermarket shopping did you do at this store in the past year?

Under 10% 11-30% 31-50% 51-75% over 75% [circle one]

Please list up to three (3) other stores that you have shopped at in the previous six (6) months that you see as competition to this store.
....
....
....
....
....

What are the two (2) main reasons that you shop at this store?

[circle 2 only]

Service Location

Prices Look of the store

In-store experience Products

It is Estonian

Thank you for your assistance with this research.