

# A STUDY ON CUSTOMER PERCEPTION ABOUT SERVICE DIFFERENTIATION ENDEAVOR OF RETAILERS WITH SPECIAL REFERENCE TO PAINT INDUSTRY

**\*Dr. Jithesh P.U, \*\*Dr. C.V. Jayamani**

## Abstract

This research paper aims to address and validate the effect of service differentiation attributes on service differentiation endeavor being practiced by paint retailers. The study covered two phases, the first phase explored the service differentiation attributes from the opinion of customers and validated its effect was the second phase executed with the help of a structural equation model. The survey was undertaken with the help of a structured questionnaire with validated measurement tools among 276 respondents who are the customers of hardware paint retailers. The obtained responses were analysed with the help of SPSS 19.0 to explore the factors of service differentiation with the help of exploratory factor analysis. The outcome of model reveals that there is a significant effect of store differentiation strategy on service

**Key words:-** Service differentiation, structural equation model, exploratory factor analysis, hardware paint retailers

The concept of being different is very much vital in today's world of aggressive competition. The difference of one product from its competitor is the revenue that it earns. Products have to be different in order to live on the

competition. Creating differentiation in one's own product and services is a better way to shun competition. One can offer a number of possible options in products to the customers.

In the days of powerful price competition, service marketers often

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protest about the difficulty or how different is their service from their competitors. To the extent that customers view the services of different providers as similar, they care less about the provider than the price. The solution to price competition is to develop a differentiated offer, delivery and image. Differentiation is a tool used by the marketers to offer some unique features in their Marketing Mix to give an element of surprise and satisfaction to their actual and potential customers. Differentiation in Services aims to offer a unique experience to the target customers and facilitate the establishment of a strategic positioning of these Services in the Market. Service Differentiation, thus, means to offer something out of the box to the customers, whom they may not be used to being served earlier, thereby making an image of the service provider based on this unique service experience with the aim to gain competitive advantage for the service firm.

### **Statement of the Problem**

Retailing is an activity where the retailer delivers the products and services on behalf of the manufacturer to the end-user on the requirement with specified quantity at the right time. It is an entity which creates place, time and form utilities. The day to day consumption needs of end users will not be fulfilled without the presence of different forms of retailers. The type and method of performing retail business will differ from place to place and person to person based on their types of products dealt and types of customers engaged. In this connection hardware retailing is an entity which deals

products and services either exclusively or inclusively. Paint and its allied products come under the hardware category being manufactured and sold by reasonable competitive firms. But at the same time the manufactured paint products from international to local brands are sold through manufacturers own retail outlets, authorized distributors and convenience retailers. In addition to that the method of selling paint products happens in the retail market through window display over the trade counter, order based selling and instant paint preparation and selling. The competitive scenario of the paint industry in retailing demands the retailers and manufacturers to differentiate the strategic selling process in order to be realized by customers and help to retain them. It is clearly understood that any form of hardware retailer who sells paint products by covering all brands and varieties at market driven prices. But they need to differentiate their offerings at their shops only through the service related aspects. In order to understand the various service differentiation attributes engaged by the retailers from the view point of customers and also to validate the effects of service differentiation attributes on real service differentiation scenarios the present paper has been drafted

### **Objectives of the Study**

1. To understand the personal and business profile of customers who buy paint products from different forms of retailers.
2. To identify and explore service differentiation attributes (factors) employed by paint hardware retailers.

3. To validate the effect of identified service differentiation attributes on service differentiation among paint retailers.

## Method

In order to satisfy the aim of the study that identifies and explores service differentiation attributes and its effect on service differentiation among paint hardware retailers from the view point of their customers, the study population was chosen as customers who buy paint and allied products of different brands from different forms of retailers. The sampling unit covered customers in the category of architect, engineers, builders, contractors and selected individual customers. The required sample was obtained through purposive sampling process. The sample size for the study was estimated at 276 from the location of Cochin, Kerala. To arrive at the required sample size, a constructive questionnaire comprising three questions namely customer view on retailers service quality was probed from 60 customers on a judgmental basis. The responses were obtained in a five-point itemized rating scale (1=very poor to 5=very good). The mean value for responses was computed and subsequently its standard deviation arrived. The resultant standard deviation was substituted in the below formula

$$N = Z^2 \delta^2 / (SE)^2 = \\ n = (1.96)^2 * 0.179 / (0.05)^2 = 276$$

## Measures

A pilot survey was employed among the selected retailers who sell paint products, identified customers and subject experts through informal interaction to know the various aspects related to service

differentiation. Subsequently the existing literatures related to service differentiation proposed by Zeithmmal and Parasuraman et al, Keller and et al and Christopher Lovelock, the service differentiation attributes were reviews with the help of pilot survey and literature review, an initial questionnaire was prepared which comprised 52 items measuring various aspects of service differentiation. It was circulated among selected experts and unnecessary measuring items were removed.

After the initial screening process the validity of the questionnaires was verified for its content and criteria purpose. After validity verification 44 were retained which generated the required validity? The 44 items were redrafted in a structured questionnaire with Likert scale (1=strongly disagree to 5=strongly agree). The questionnaire comprised two parts. The first part covers questions related to the personal and professional background of the respondents. The second part of the questionnaire covers questions related to service differentiation attributes (44 items). The questionnaire was pilot tested for its internal consistency of item among 70 respondents. The obtained responses were computed for its reliability for 44 items, it was observed that all the 44 items satisfied the necessary internal consistency (Cronbach Alpha = 0.780). Since the required reliability was obtained, the validated questionnaire was administered for data collection among 276 respondents.

From the table below it is understood that 37 per cent of respondents are in the age category of less than 30 and 33 per

cent are between 31-40. Regarding their educational background 31 per cent are graduates and 22 per cent are below schooling. It is also observed that 14 per cent are professionals like architects and engineers. In terms of their profession 32 per cent of customers are contractors, 28 per cent are engineers/builders and 24 per

cent are others like site supervisors and so on. It is observed that 45 per cent of customers prefer to buy through inclusive sellers and 43 per cent prefer to buy from exclusive and inclusive sellers. Regarding the types of projects handled by business customers, 58 per cent deal with institutional projects and 62 per cent

**Table 1**  
**Sample Characteristics**

Sl. No.	Category	Description	Number of Respondents	Percentage to Total
1	Age	Less than 30	103	37
		31 to 40	92	33
		Above 40	81	29
2	Educational Background	Below Schooling	62	22
		Graduates	86	31
		Post Graduation	54	20
		Professional	38	14
		Others	36	13
3	Profession	Architect	46	17
		Engineers/Builders	78	28
		Contractors	87	32
		Others	65	24
4	Type of Shop Preferred	Exclusive Sellers	35	13
		Inclusive Sellers	123	45
		Both	118	43
5	Types of Projects Handling	Individual/ Household Projects	65	37
		Institutional Projects	102	58
		Both	109	62
6	Mode of Buying Paints Type of Buying	Bulk	45	16
		On requirements	231	84
Total			276	100

*Source: Primary data*

engage individual and institutional projects. In terms of buying paint products 84 per cent of customers buy on requirements against 16 per cent who buy on bulk based on the nature of the project.

In order to investigate and explore service differentiation attributes of paint retailers from the opinion of the customers, an exploratory factor analysis was employed. Initially 44 items constructed for the purpose of measuring service differentiation were tested for its reliability. Since all the 44 items obtained the required reliability, all the items were taken for data reduction purposes through EFA. By employing EFA, the initial process of computing factor analysis feasibility was verified through measuring KMO sampling adequacy and checking the significance of correlation matrix. The KMO value of 0.741 and significant value of  $p=0.000$  permitted to further employ factor analysis. The communality table helped to extract the items which are loaded above 0.7 and there were 28 items from 44 items considered for loading above 0.7. From the total variance explained it was understood that 28 items were grouped under 8 factors and which explained the cumulative total variance of 81.148 per cent. The final step of the rotated component matrix through varimax rotation grouped the 28 items under 8 factors (each factor was loaded with a minimum of three items without any cross loading).

The first factor loaded with 5 items describing the aspect of retail shop layout and display was termed as display style with construct reliability of 0.75, convergent validity of 0.88 and AVE of 0.77. The factor 2 comprising 5 items was

termed as service attitude with construct reliability of 0.75, convergent validity of 0.89 and AVE of 0.80. The factor 3 was labeled as service differentiation with 3 items which satisfied the required construct reliability of 0.75, convergent validity of 0.88 and AVE of 0.79. There were three items converged under a factor named as empathy with construct reliability of 0.75, convergent validity of 0.92 and AVE of 0.85. The fifth factor was labeled as store differentiation which comprised three items. The construct store differentiation obtained the reliability of 0.75, convergent validity 0.85 and AVE of 0.73. There were three items which measured the customer management aspect, which was termed as sixth factor with the required reliability of 0.76, convergent validity of 0.88 and AVE of 0.77. The seventh factor was termed as ambience which comprised three items with required reliability and validity. The last factor was labeled as customer delivery with three items. From the EFA it is understood that there were 8 factors identified related to service differentiation attributes employed by paint retailers.

### **Confirmatory Factor Analysis**

To validate and test the third objective i.e. the existence of significance effect of service differentiation attributes on service differentiation, the confirmatory factor analysis was employed. The confirmatory factor analysis was executed in two phases, namely measurement fit and structural equation model. The identified model on the effect of display style, service attitude, ambience, store differentiation, empathy, customer delivery and customer management on service differentiation was verified for its model fit through

measurement fit model (initial model). Before employing measurement fit models, the discriminant and convergent

validity for all the eight constructs were measured and it was found to be obtained which is shown in the below table.

**Table No 2**

**Exploratory Factor Analysis for Identifying Service Differentiation Attributes**

Constructs	Item Total Statistics					
	Item Description	Item Coding	Reliability	Factor Loading	Convergent Validity	AVE
Display Style (0.7516)	The layout of the retail store makes it easier for customers to find what they need	display1	.750	.908	0.8822	0.778533
	The retail store has product/shade selection tools available when the customers want it	display2	.751	.894		
	The layout of the retail store makes it easier for customers to move around in the retail store	display3	.750	.871		
	The retail store provides its services at the time it promises to do so	display4	.754	.869		
	When the retail store promises to do something (such as paint tinting, shade matching) by a certain time, it will do so	display5	.753	.869		
Service Attitude (0.755)	When a customer has a problem, the retail store shows a sincere interest in solving it	seratt1	.754	.939	0.89925	0.809643
	Employees of the retail store are able to handle customer complaints directly and immediately.	seratt2	.754	.907		
	The retail store offers high quality merchandise	seratt3	.753	.900		
	The retail store provides plenty of convenient parking for customers	seratt4	.759	.851		
					0.889667	0.791884
Service Differentiation (0.758333)	This retail store brand is a part of my life.	servdiff1	.757	.911		
	This retail store has incredible displays.	servdiff2	.758	.894		
	The retail store environment of this brand appeals to me.	servdiff3	.760	.864		

Constructs	Item Description	Item Coding	Reliability	Factor Loading	Convergent Validity	AVE
Empathy (0.757667)	The retail store has its own credit card/debit card swiping facility	empathy1	.761	.952	0.922	0.850684
	The retail store accepts all major credit/debit cards	empathy2	.755	.922		
	This retail store comes to mind immediately when I want to purchase a paint product.	empathy3	.757	.892		
Store differentiation (0.759333)	Employees in the retail store tell customers exactly when services will be performed	storediff1	.762	.891	0.857333	0.735727
	Employees in the retail store are never too busy to respond to customer's requests	storediff2	.757	.855		
	The retail store gives customers individual attention	storediff3	.759	.826		
Customer Management (0.76)	I like looking at the products of this retail store	custmgt1	.766	.924	0.882	0.779982
	I engage in a lot of thinking when I encounter this brand.	custmgt2	.764	.903		
	I feel connected to this retail store.	custmgt3	.765	.819		
Ambience (0.768333)	The retail store and its physical facilities are visually attractive	amb1	.768	.916		
	The retail store has clean, attractive, and convenient physical facilities (sitting area, air-conditioning)	amb2	.767	.891	0.856333	0.73786
	The retail store has modern-looking equipment and aesthetic looks	amb3	.770	.762		
Customer Delivery (0.768333)	The retail store willingly handles returns and exchanges as per policy.	custdelv2	.768	.913	0.844	0.714857
	Employees in the retail store treat customers courteously on the telephone, answer queries and doubts	custdelv3	.768	.824		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			0.741	Cumulative %		81.148
Bartlett's Test of Sphericity		Approx. Chi-Square		5.620E3		
		df		351		
		Sig.		.000		

Source: Primary data

**Table 3.0**  
**Validity Test**

	CR	AVE	MSV	MaxR(H)	dp	satt	diff	emp	stdf	cmgt	ambience	delivery
<b>dp</b>	0.922	0.704	0.029	0.949	<b>0.839</b>							
<b>satt</b>	0.926	0.760	0.047	0.949	0.053	<b>0.872</b>						
<b>diff</b>	0.936	0.830	0.409	0.938	-0.001	0.018	<b>0.911</b>					
<b>emp</b>	0.927	0.810	0.029	0.944	0.169**	0.048	-0.011	<b>0.900</b>				
<b>stdf</b>	0.893	0.736	0.409	0.903	0.006	-0.032	0.639* **	- 0.023	<b>0.858</b>			
<b>cmgt</b>	0.877	0.710	0.047	0.964	-0.029	0.218 * **	-0.092	0.080	- 0.028	<b>0.843</b>		
<b>ambience</b>	0.841	0.647	0.014	0.912	0.090	0.032	-0.118†	- 0.033	- 0.099	0.066	<b>0.804</b>	
<b>delivery</b>	0.823	0.614	0.008	0.936	-0.013	0.087	-0.028	- 0.063	- 0.066	-0.004	0.047	<b>0.784</b>

*Notes: \*\* dp – display style    satt- service attitude    diff- service differentiation  
stdf- store differentiation emp – empathy cmgt- customer management  
ambience delivery – customer delivery*

Since the required validity indices were obtained, the initial measurement model was drawn with the help of AMOS 21.0 version for all 8 constructs. The output of the fit indices for initial models like GFI, AGFI, TLI, NFI were not reached the required and recommended fit indices. So the model was re- saturated with the help of three modification indices (e1, e2 and e5). After plotting the required modification indices the recommended fit indices were obtained (shown in Table 3.0).

Since the model was saturated further to that the constructs and items fit to the model. The structural equation model was attempted to validate and test the hypothesis that display style, empathy, customer management, customer delivery,

ambience, store differentiation and service attitude have significant influence on service differentiation. Here the service differentiation attitude were taken as exogenous construct and service differentiation was taken as an endogenous construct. By drawing a casual relationship between exogenous and endogenous construct, the outcome of the structural equation model after producing required and recommended fit indices, the framed hypotheses were tested and validated.

The table 5.0 shows the outcome of the structural equation model on validating and testing the hypotheses that service differentiation attributes have significant influence on service differentiation. It is understood that store differentiation has



Figure 1

Measurement Model

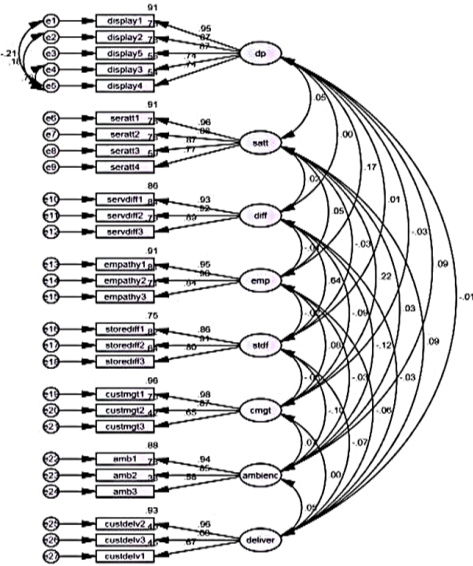
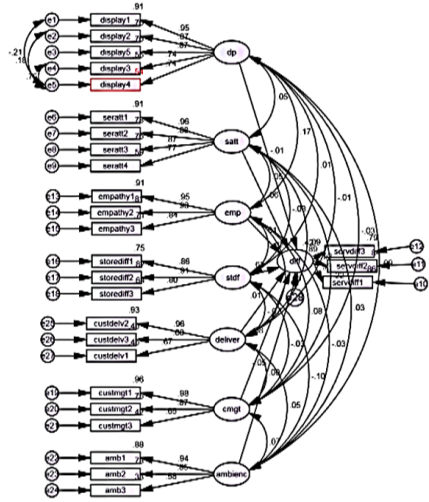


Figure 2

Structural Equation Model



\*\* dp – display style    satt- service attitude    diff- service differentiation    stof- store differentiation  
 emp – empathy    cmgt- customer management    ambience    delivery – customer delivery

Table 4.0  
Fit Indices

Metric	Observed Value before Modification	Observed Value After Modification	Recommended Thresholds
GFI	0.872	0.913	≥ 0.90
AGFI	0.837	0.888	>0.80
CMIN/DF	2.153	1.291	2>5
NFI	0.891	0.935	≥ 0.90
RFI	0.870	0.922	≥ 0.90
CFI	0.938	0.984	≥ 0.95
TLI	0.926	0.981	≥ 0.90
RMSEA	0.065	0.033	≤0.08
RMR	0.032	0.030	≤0.05

**Table 5.0.**  
**Hypotheses Testing**

			Estimate	S.E.	C.R.	P	Label
service differentiation	<---	ambience	-.080	.101	-.796	.426	Not supported
service differentiation	<---	store differentiation	.736	.061	12.148	***	Supported
service differentiation	<---	customer management	-.167	.086	-1.941	.052	Not supported
service differentiation	<---	empathy management	.002	.050	.042	.966	Not supported
service differentiation	<---	customer delivery	-.017	.110	-.158	.875	Not supported
service differentiation	<---	display style	-.029	.055	-.529	.597	Not supported
service differentiation	<---	service attitude	.067	.052	.301	.193	Not supported

a significant effect on service differentiation, since the obtained p value is 0.52. The other aspects like ambience, customer management, empathy management, customer delivery, display style and service attitude did not have a significant effect on service differentiation offered by paint retailers. It is also understood that from the point of view of customers, differentiation through store management is viewed as an important aspect of retail service differentiation by the paint retailers. Managerial Implication

Service differentiation is the prominent instrument needed to be practiced by service offers in the competitive market. But the component in which the differentiation exposed by the service offer will differ based on the types of service. The service

differentiation of paint hardware retailers being demarcated by their end users. The service differentiation mix which identified in the study like display, empathy, store, delivery, customer management and ambience are used as unique selling propositions by the retailers. But the importance of service differentiation viewed by the customers from the store management practiced by the retailers. The store management includes product display, space management, process management and customer engagement method. Since it is being given due effect on service differentiation, it is advised to management of retail shops to focus on store enhancement strategies from layout planning, space management and flow management for the better customer satisfaction and customer identification of retailers.

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