

# DIFFERENCES IN SOCIAL AND ECONOMIC POWER: SERVICE QUALITY IMPLICATIONS FOR RETAILERS IN AN EMERGING MARKET<sup>1</sup>

**Bruce R. Klemz<sup>2</sup>**

*St Cloud State University, USA*

E-mail: [brklemz@stcloudstate.edu](mailto:brklemz@stcloudstate.edu)

**Christo Boshoff<sup>3</sup>**

*University of Stellenbosch, South Africa*

E-mail: [CBoshoff@sun.ac.za](mailto:CBoshoff@sun.ac.za)

**Noxolo Eileen Mazibuko<sup>4</sup>**

*Nelson Mandela Metropolitan University, South Africa*

E-mail: [Noxolo.Mazibuko@nmmu.ac.za](mailto:Noxolo.Mazibuko@nmmu.ac.za)

**Jo Ann Asquith<sup>5</sup>**

*St Cloud State University, USA*

E-mail: [jasquith@stcloudstate.edu](mailto:jasquith@stcloudstate.edu)

---

<sup>1</sup> The authors wish to thank Dr. Thomas Gruca at the University of Iowa for his help and guidance on this paper.

<sup>2</sup> Bruce R. Klemz, Professor of Marketing, Department of Marketing, St Cloud State University, St Cloud, MN 56301, (320) 308-3161 (phone), (320) 308-4061 (fax), E-mail: [brklemz@stcloudstate.edu](mailto:brklemz@stcloudstate.edu)

<sup>3</sup> Christo Boshoff, Professor of Marketing, Department of Business Management, University of Stellenbosch, Private Bag 1, Matieland, 7602, South Africa, 0027-21-8082735 (phone), E-mail: [CBoshoff@sun.ac.za](mailto:CBoshoff@sun.ac.za)

<sup>4</sup> Noxolo Eileen Mazibuko, Professor in Management, Department of Business Management, Nelson Mandela Metropolitan University, Vista Campus, Private Bag X 613, Port Elizabeth, 6000, South Africa, 0027-41-4083129 (phone), E-mail: [Noxolo.Mazibuko@nmmu.ac.za](mailto:Noxolo.Mazibuko@nmmu.ac.za)

<sup>5</sup> Jo Ann Asquith, Professor of Marketing, Department of Marketing, St Cloud State University, St Cloud, MN 56301, (320) 308-2207 (phone), E-mail: [jasquith@stcloudstate.edu](mailto:jasquith@stcloudstate.edu)

## **ABSTRACT**

Culture research into the influence of social power and economic power offers slightly conflicting propositions for the emergence of black-owned businesses in impoverished South African townships. Previous cultural comparative studies typically hold the business setting fixed while examining the effects of cultural power differences across countries. However, in emerging markets not only are there differences in social power between races but there are also variations in economic power between business organizations. We find that the service encounter evaluations by Xhosa township residents of black-owned businesses follow the prescriptions of the social power research while evaluations of white-owned businesses follow the prescriptions of the economic power literature. Surprisingly, reliability was found to be much more important in black-owned retailers than in white-owned retailers, a finding in conflict with the cultural power research. Consistent with Xhosa cultural norms, we find that for black-owned retailers, empathy, reliability and responsiveness are critical to their business success in South Africa's emerging business markets.

**Key words:** retailing, service quality, competition, cultural differences, social power, economic power

**JEL codes:** M14, N17, M21, M31, N87

## **I. INTRODUCTION**

It is well known that culture influences the way consumers perceive marketing activities (e.g., Usunier 1996; Aaker and Williams 1998) and most studies in this area compare the evaluations of members of different cultures to the same particular service encounter (e.g., Winsted 1997; Mattila 1999; Liu and McClure 2001; Michon and Chebat 2004) or brand/price evaluations (e.g. Maxwell 1999; Quester, Karunaratna and Li 2000). For example, Mattila (1999) focused on luxury hotels, Furrer, Liu and Sudharshan (2000) focused on retail banking while Maxwell (1999) focused on price increases. These studies hold the business setting fixed while examining the effects of various differences across cultures. Of the various dimensions of cultures studied previously, cultural power differences have been shown to have important effects on the evaluation of service encounters (e.g., Donthu and Yoo 1998; Mattila 1999; Furrer, Liu and Sudharshan 2000). However, in emerging markets, the situation with respect to cultural power is more complex. Not only are there differences in social power between people (e.g. Hofstede 1991), there are also variations in economic power between organizations (e.g. McGee and Peterson 2000; Stone 1994). In essence, retailers with very different levels of economic and social power structure compete within a single consumer culture.

In this paper, we extend previous research by assessing how these social and

economic power differences influence the importance customers place on service quality dimensions in an emerging market. Our study focuses on retail groceries in South African black-townships, which serve Xhosa customers and are populated by well established white-owned businesses and newly formed black-owned start-ups. Our key contribution is that we highlight the influence of economic and social power distances between the customer and the retailer in this emerging market.

We found find that the economic power research can predict the influence of assurance, empathy, responsiveness and tangibility on willingness-to-buy for white-owned retailers. However, our results show that consistent with the social power research, the black township residents find the black-owned retailers to be much more reliable and empathetic than the white-owned retailers. The reliability of the black-owned retail operations contribute strongly to the township consumer's perceptions of the retail environment and their willingness-to-buy. Xhosa collectivist cultural norms (e.g. *ubuntu*) and the emphasis on the need to keep "their word" in the Xhosa townships negate any economic advantage the white-owned retailers have when it comes to keeping promises and doing so on-time.

The organization of this paper is as follows. A brief description of the problem background and power literatures is followed by a discussion of the methodology used in this research. The paper closes with a discussion of the results and their implications.

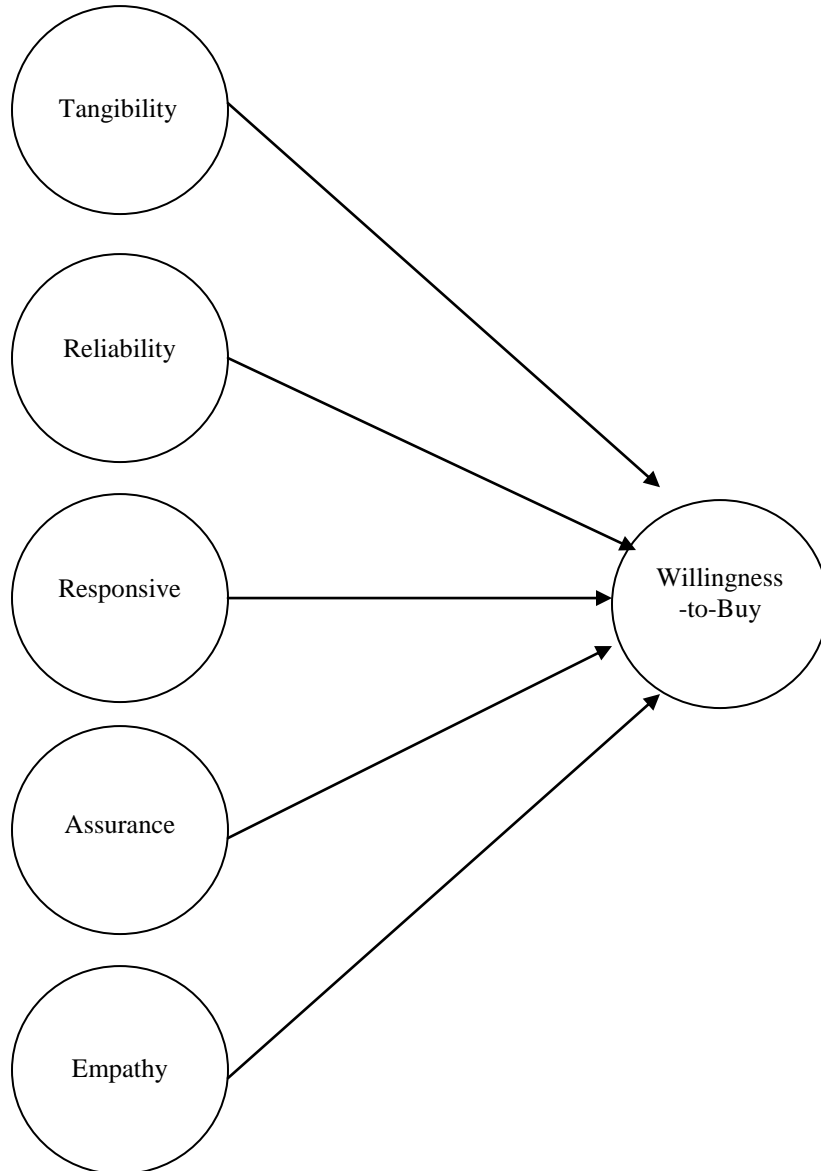
## **II. LITERATURE REVIEW**

To understand how black township consumers will react in these two different retail settings, we assess two streams of retail services research. The first stream of retailing research suggests that social power differentials between the customer and service provider causes differences in service encounter evaluations. This literature suggests that the contact people for black-owned retailers should focus on improving empathy, responsiveness and reliability, where the white-owned retailers, who have more perceived social power, will focus on assurance. The second stream of retailing research suggests that economic power differentials within the culture can also influence service encounter evaluations. This literature suggests that the poorly funded black-owned retailers will focus on improving empathy, where the well funded white-owned retailers will focus on responsiveness, assurance, reliability and tangibility.

Following previous research, we adapted the contact person/customer behavior model from Dick and Basu (1994). Specifically, we extend previous research by focusing on cultural power influences have on the contact setting /consumer relationship with regards to willingness-to-buy for an emerging black South African grocery retail market. This model is illustrated in figure 1. Grocery retailing was selected because it is an intensely people oriented business (Lovelock and Yip 1996), and food consumption is often a key element in expressing cultural group membership (Reilly and Wallendorf 1987). Our respondents are Xhosa residents in a large South African township and retailer performance is assessed relative to the customer's willingness-to-buy. Two types of broad-based grocery retailers are studied: 1) the black-owned retail shops

located in the black townships, and 2) the white-owned retail shops located in the mainly white-owned business centers of large cities.

**Figure 1**  
**Contact person/customer behavior model adapted from Dick and Basu (1994)**



## A. Problem background

South Africa saw a massive social power shift when it held its first fully democratic elections in 1994. Prior to this, all political and economic power was held by white South Africans and this political/social system was known as *Apartheid* which literally means "separateness" in Afrikaans (the primary language of white South Africans of Dutch ancestry). However, in the last ten years, South Africans saw rapid political changes as the African National Congress (hereafter ANC, a black South African political organization) took and has maintained control of central and provincial government and local authorities. The first ten years were further characterized by a number of new affirmative action legislation, collectively referred to as Black Economic Empowerment (BEE). The objective of these legislative actions is to increase black economic power through encouraging black participation in the economic main stream. Clearly, the economic success of these new black-owned market entrants into existing highly competitive industries is important to the ANC. But critics of ANC empowerment policies note that the vast majority of blacks still live in abject poverty in townships as they did during the years of apartheid. Additionally, it has been shown that black-owned businesses that cater to whites seem to have been given priority to access to capital while black-owned business development in the townships has almost been non-existent (Reddy, Sing and Moodley 2003).

The goal of the ANC is still, however, to alleviate poverty through broad-based economic empowerment and in affect re-distribute income from the wealthier white communities to the poorer black township communities. BEE's economic shift has opened up almost unimaginable competitive opportunities for new black-owned businesses and their success is critically important to the ANC government. However, the problems for new black-retailers are two fold. First, governmental economic resources are scarce given the wide variety of social programs currently under way (e.g., school construction, electric distribution, water purification, HIV/AIDS treatment and education, etc.). And second, retailing remains a highly competitive sector of the South African economy, and this is especially so if one considers that not only do both black and white-owned businesses compete vigorously against each other, but the end of economic sanctions against South Africa has also heralded the entry of many foreign-owned firms.

Xhosa culture is collectivist in nature, and this cultural attribute, known as *ubuntu* (loosely meaning "I am because you are"), places a high value on harmonious inter-personal relationships, feeling secure, a sense of belongingness and working for the common good (Khumalo 2001). Against this background, both black and white-owned South African firms have been strongly encouraged through government policy to incorporate traditional African cultural values into their business strategies (Mthembu 1996; Mbigi and Maree 1996). How this collectiveness cultural characteristic, and social and economic power differences between the customer and retailer can impact new black business development in South Africa are open questions addressed by our study.

## B. Cultural Theories of Power

It is well-known that culture and cultural perceptions influence the way consumers perceive marketing stimuli (e.g., Aaker and Williams 1998; Usunier 1996). Research also shows that cultural meaning in purchases can change over time (McCracken 1986) and indeed, in some cultures, consumers have been found to “swap” certain cultural elements with those of others (Oswald 1999). To add to the complexity in culture research, cultural norms can influence service encounter perceptions and behavior (e.g., Winsted 1997; Furrer, Liu and Sudharshan 2000).

However, previous research into the influence of cultural norms on the service encounter offers slightly conflicting guidance. Key differences are summarized in table 1 and are discussed in detail next.

**Table 1**

**Summary of Social and Economic Power Influences on Willingness-to-buy**

	<b>Social Power Research</b>	<b>Economic Power research</b>
<b>Black customers in Black-owned retailers</b>	<ul style="list-style-type: none"> <li>• Assurance: -- <sup>a</sup></li> <li>• Empathy: ++</li> <li>• Responsive: ++</li> <li>• Reliability: ++</li> <li>• Tangibility: unknown</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance: --</li> <li>• Empathy: ++</li> <li>• Responsive: --</li> <li>• Reliability: --</li> <li>• Tangibility: --</li> </ul>
<b>Black customers in White-owned retailers</b>	<ul style="list-style-type: none"> <li>• Assurance: ++</li> <li>• Empathy: --</li> <li>• Responsive: --</li> <li>• Reliability: --</li> <li>• Tangibility: unknown</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance: ++</li> <li>• Empathy: --</li> <li>• Responsive: ++</li> <li>• Reliability: ++</li> <li>• Tangibility: ++</li> </ul>

<sup>a</sup> -- refers to lesser importance, ++ refers to greater importance

### *Social power differences between the customer and the retailer.*

Hofstede (1991) suggests that power distance between the more and less powerful members of a society is based on the extent that members of that culture *accept* and *expect* power to be distributed unequally. A key characteristic of the apartheid system in South Africa was an explicit power difference, both political and economic, between blacks and whites. Ten years after the fall of this segregation system, the economic power and status differential between black township customers and white urban consumers remains largely unchanged (Reddy, Sing and Moodley 2003).

Previous cultural research into the service encounter suggests that social power differentials can influence both expectations and perceptions (e.g., Furrer, Liu and

Sudharshan 2000). Mattila (1999), in her study of luxury hotels, assumed that powerful customers faced weaker service providers and found that Westerners are more likely to rely on physical cues to evaluate a service than their Asian counterparts. Westerners, whose core values reflect fun and enjoyment, are also more likely to rate the hedonic dimension (pleasure) of a service as more important in their consumption experience than Asians whose value structures tend to reflect duty. In competing theory, Donthu and Yoo (1998) contended that social power typically lay with the service provider because it has the expertise, knowledge or materials that the customer doesn't yet have. They found that the service quality expectations of people living in high power distance cultures/countries such as Malaysia, Philippines and Singapore are different from those who live in low power distance cultures/countries such as US, Britain and Canada.

In an attempt to consolidate previous service and culture research, Furrer, Liu and Sudharshan (2000) suggest, and found, that in cultures where customers have much less social power than the service provider, weak customers will be more tolerant of failure and lack of attention in the service encounter. Customers in such instances tend to focus on service providers who instill confidence and have product knowledge. In contrast, in cultures where customers have more social power, customers expect good treatment. Customers in such a service setting tend to place greater importance on reliable, responsive and kindness and much less in assurance since they have little confidence in promises made by the relatively weak service providers.

Based on social power research, we would expect that black-owned retailers to increase their reliability, responsiveness and empathy to better improve their level of service to black customers when attempting to influence Willingness-to-buy. In contrast, given the large power differential between blacks and whites, research suggests that white-owned grocery retailers can take advantage of less powerful, more tolerant, black consumers when attempting to influence Willingness-to-buy. In such an instance, previous service research suggests that improving levels of assurance will be most useful. Previous research on social power yields little insight into the effect of tangible elements in the service encounter. This leads us to hypothesis **H1**:

**H1:** In large social power difference conditions, white-owned retailers will focus on assurance, while in low social power difference conditions black-owned retailers will focus on reliability, responsiveness and empathy over assurance when attempting to influence Willingness-to-buy.

### *Economic power differences between the customer and the retailer.*

The South African white-owned grocery retailers have a large economic advantage over black-owned grocery retailers and typically service both black township residents as well as the white city/suburban residents. They carry a wide product variety and utilize modern technology to aid in the management of inventory, pricing activity, etc. Given the diverse customer base of such a retailer, one-on-one service from contact people are not practical. Therefore, these large retailers tend to focus on service levels that complement their operations procedures (Taylor and Smalling-Archer 1994),

such as facilities structure, using technology to improve assurance, responsiveness, and focusing on promptness in filling orders and providing assistance (e.g., Reid 1995).

Previous retailing research suggests that the retail environment can play a significant role in customer relationships. For example, tangible elements in the retail environment have been shown to influence service evaluations in general (e.g. Bitner 1992) and in perceptions of service quality in a retailing environment (e.g. Dabholkar, Thorpe and Rentz 1996). Given the recent history of *Apartheid* and the resulting massive economic power advantages of the white-minority (Carter and May 2001), retailing research suggests that white-owned retailers should excel at structural, distribution, information and training issues because of the advantages conferred by the apartheid system with respect to access to financial capital and favorable retail sites (Terblanche and Boshoff 2001; Terblanche 1998). In addition, reliability (doing things right the first time, dependably and accurately) has been shown to be at the core of service delivery (Bitner, Booms and Mohr 1994: 103) and these white-owned retailers may use their superior resources (Murphy 1996: 153) to achieve reliability, for instance, through standardization of service and order fulfillment activities. Standardization also increases reliability by achieving consistency in output via limited service options, employee discretion and substituting human effort with technology (Lovelock 1991).

In contrast, the black-owned retailers are under-funded and focus exclusively on black township residents and have very little access to large amounts of economic development resources. They carry a narrow breadth of product offerings, offer greater depth within the offerings provided, and tend not to utilize modern retailing technology. History suggests that it is not practical for such a small and well focused retailer to compete head-to-head with large multi-segment retailers (e.g., Taylor and Smalling-Archer 1994). Therefore, business norms suggest that these black-owned township retailers should improve and personalize their contact with the customer. They should tailor their product selection (e.g., Welles 1993) as well as make improvements in the retailing experience (e.g., Weisbrod and Pollakowski 1984). Given the collectiveness of the Xhosa tribal culture, and recent changes since the fall of apartheid on South African society, retailing research suggests that black-owned businesses to excel at inter-personal relationships because of these long held tribal cultural norms.

Based on economic power research, we would expect that black-owned retailers will attempt to improve the customers' encounter experience by concentrating on what is viewed as their competitive advantage: providing caring service in the service encounter, that is, empathy when attempting to influence Willingness-to-buy. White-owned grocery retailing outlets cannot match that level of intimacy because of their diverse customer base and will provide a larger selection of merchandise at lower prices, and will support the service encounter by focusing on tangible retailing elements, reliability and assurance in filling orders rather than personalization when attempting to influence Willingness-to-buy. This leads us to hypothesis **H2**:

**H2:** In large economic power difference conditions, white-owned retailers will focus on assurance, reliability, responsiveness and tangibility while in



low economic power difference conditions black-owned retailers will focus on empathy when attempting to influence Willingness-to-buy.

### **C. Contact Setting Characteristics**

SERVQUAL (Parasuraman, Zeithaml and Berry 1988, 1991) provides a variety of retailing contact measures and has been used widely in retailing and services research. To assess the influence that the contact setting can have on the customer, the contact setting's tangibility, reliability, responsiveness, assurance and empathy constructs were adapted from SERVQUAL perception measures. In this research, only those that directly relate to the contact person's interaction with the customer are utilized. The contact setting/customer behavior model estimated in this research is adapted from Dick and Basu (1994)

## **III. METHODOLOGY**

### **A. Community Retail Profile**

The location of this study was a black township outside a large South African metropolitan area. The approximate township population at the time of this study was N=2,500,000. This metropolitan area consisted of two distinct and separate retail settings: the black-owned township business district and the white-owned city center retail district. Due to limited access to phone and mail services in this community, surveys were personally administered by trained personnel in the two different retail areas and was offered to the participant in English, Afrikaans or their native language, Xhosa. The response rate for this study was 91% (completed 505 of 550 surveys, 37 of the participants declined and 8 of the completed surveys were unusable). The final sample size was n=251 patrons for the black-owned township retailers and n=254 patrons for the white-owned city centre retailers. No differences between these two samples were found with regards to demographic characteristics. The data was collected in January through March 2008.

Respondents consisted of 55% female and 45% male and ranged in age from 16 to 84 with a mean of 36 ( $\sigma = 11.9$ ). In terms of education, 3% had no formal education, 13% had primary education, 66% had a high school education, 11% had a college degree, and 6% had some technical college education. Regarding employment, 37% had worked fulltime, 22% worked part-time, 39% had no formal work and 1% were self employed. Income ranged R0 to R28000 a month (\$0 to \$2772 at the time of the survey), with a mean monthly income of R1197.9 or \$118 ( $\sigma = R22.61$  or \$2.24).

### **B. Contact Setting Constructs**

A perceptions-only SERVQUAL scale was utilized in this research rather than the typical SERVQUAL expectations-perceptions difference scores (Parasuraman,

Zeithaml and Berry 1988, 1991). While the expectations-perceptions difference can offer useful guidance for the manager (Parasuraman, Zeithaml and Berry 1988), previous research has shown that a perceptions-only instrument can offer superior predictive validity (Parasuraman, Zeithaml and Berry 1994; Cronin and Taylor 1992; 1994).

These constructs were based on SERVQUAL due to its extensive use regarding these dimensions in a wide variety of retailing studies (for a general discussion of scale reliability and validity, refer to Parasuraman, Zeithaml and Berry, 1988, 1991 and 1994). Consistent with previous SERVQUAL usage, all questions utilized a semantic differential scale with endpoints of "often" as 5 and "never" as 1.

*Tangibility.* Tangible elements in the retail space can directly influence and define the retail environment for the consumer. In this research, tangibility consists of the following: their equipment is up to date, their personnel and facilities are neat in appearance. In this empirical research, these three questions are used as separate indicators of the latent tangibility construct.

*Reliability.* The reliability of the retail operations contribute strongly to the consumer's perceptions of the retail environment. In this research, reliability consists of dependability and that they perform the promised services and did so on-time. In this empirical research, these two questions are used as separate indicators of the latent reliability construct.

*Responsiveness.* The responsiveness of retail services and operations also contribute to the consumer's assessment of the retail environment. In this research, responsiveness consists of the retailer providing prompt service, the retailer's willingness to help, and the available associates to help keep customers informed. In this empirical research, these three questions are used as separate indicators of the latent responsiveness construct.

*Assurance.* The customer's feelings of assurance are influenced both by retail operations and retail behavior. In this research, such perceptions of assurance consist of the patrons' level of trust in the retailer, their feelings of safety in the retail setting, and that the patron thinks the staff is polite. In this empirical research, these three questions are used as separate indicators of the latent assurance construct.

*Empathy.* Perceptions of empathy are also influenced by the retail operations and retail behavior. In this research, the customer's perceptions of empathy consist of the patrons' belief that the retailer knows their needs, they have their best interests at heart, and are willing to provide personal attention. In this empirical research, these three questions are used as separate indicators of the latent empathy construct.

### **C. Customer Behavior Construct**

Consumer behavior has been operationalized in many ways (e.g. Jacoby and Chestnut 1978). In this research, the customer behavior of interest is purchase intention, and is modeled after the "Willingness-to-Buy" construct developed by Dodds, Monroe and Grewal (1991). These measures are similar to those used throughout the service literature (e.g., Baker, Levy and Grewal 1992). Consistent with previous "Willingness-to-Buy" construct usage, we utilized a semantic differential scale with endpoints of

“often” as 5 and “never” as 1.

*Willingness-to-Buy.* The patrons do most of their shopping, prefer to shop at that store, and recommend the store to others. In this research, these three questions are used as separate indicators of the latent customer behavior construct.

#### **D. Analysis**

Partial Least Squares (hereafter PLS) (Wold 1974) was utilized in this research. PLS is based on a *component* construct concept that places the same demands on the data as OLS regression. As in regression analysis, PLS requires each variable be measured using interval scale measures. Consistent with previous attitude research, each latent variable indicator in this study was measured using Semantic Differential questions, ranging from five (“often”) to one (“never”). All the parameter estimates in this research are expressed in a standardized form to compare their relative strengths. In PLS, parameter significance is assessed using a “jack-knife” technique to construct a distribution of parameter estimates (Dijkstra 1983). Using these estimates, the mean and standard deviation of the parameter estimates are used to assess statistical significance, model goodness-of-fit estimates follow Hulland (1999, p.202).

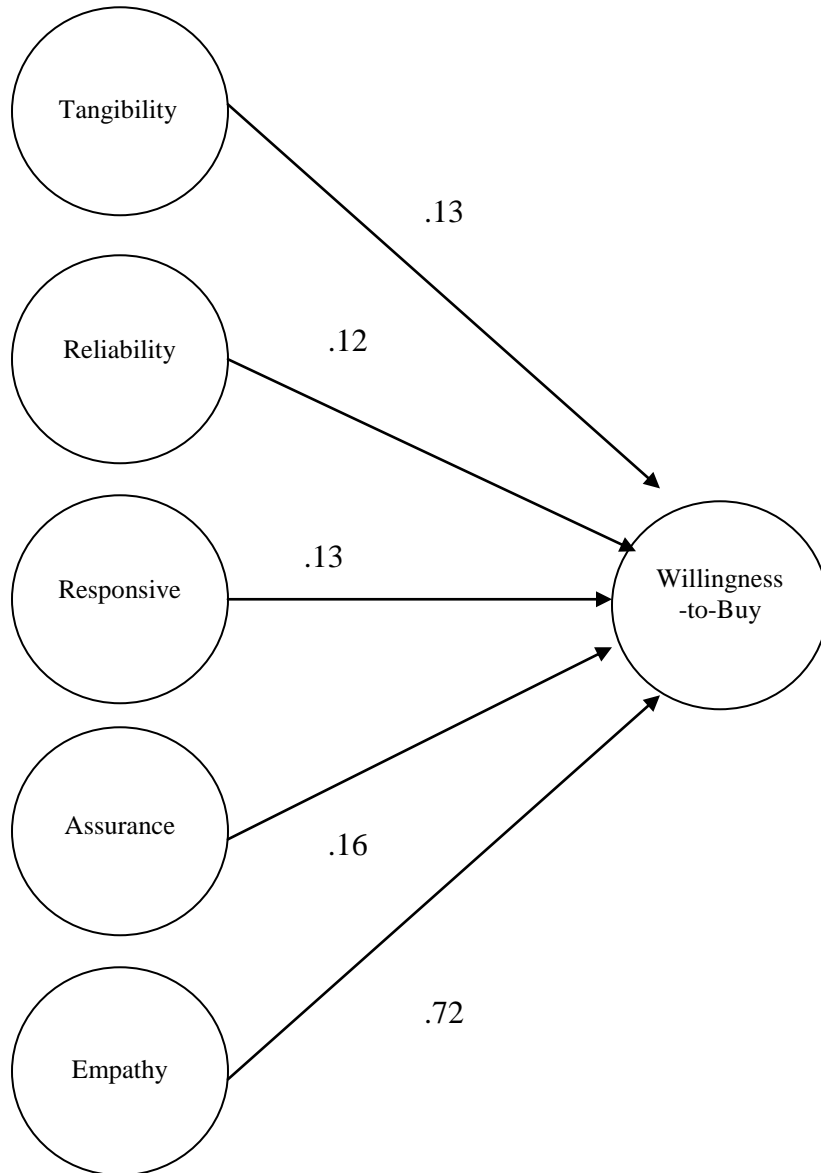
### **IV. RESULTS**

The results for each retail type will be discussed separately. Following this, significant differences in contact setting encounters in the two different grocery retailer types will be addressed.

#### **A. Black-owned Retailers**

The results of the black-owned grocery retailers are provided in figure 2. Indicator-on-latent variable parameter estimate means and standard deviations and the latent-on-latent variable parameter estimate means and standard deviations are provided in table 2.

**Figure 2**  
**Black-owned Grocery Retailers Results**



**Table 2**  
**Black-owned Retailer Results**

<b>Indicator per Latent Variable parameter estimates</b>			
Tangible	Equipment	Attractive	Well-dressed
	0.73 <sup>a</sup> (0.0034) <sup>b</sup>	0.82 (0.0021)	0.74 (0.0033)
Reliable	Keep promise	Dependable	
	0.86 (0.0034)	0.69 (0.0054)	
Responsive	Prompt	Willing to help	Available
	0.70 (0.0037)	0.82 (0.0020)	0.84 (0.0020)
Assurance	Trust	Feel safe	Polite
	0.74 (0.0028)	0.83 (0.0059)	0.69 (0.0022)
Empathy	Get pers Attn	Know needs	Best Inter
	0.80 (0.0028)	0.56 (0.0059)	0.83 (0.0022)
Willingness-to-Buy	Prefer	Do most	Recommend
	0.85 (0.0014)	0.81 (0.0020)	0.81 (0.0019)
<b>Latent Variable per Latent Variable parameter estimates</b>			
Tangibility => Willingness-to-Buy			0.13 <sup>a</sup> (0.004) <sup>b</sup>
Reliability => Willingness-to-Buy			0.12 (0.004)
Responsiveness => Willingness-to-Buy			0.13 (0.004)
Assurance => Willingness-to-Buy			0.16 (0.005)
Empathy => Willingness-to-Buy			0.72 (0.004)

<sup>a</sup> parameter estimate

<sup>b</sup> standard deviation

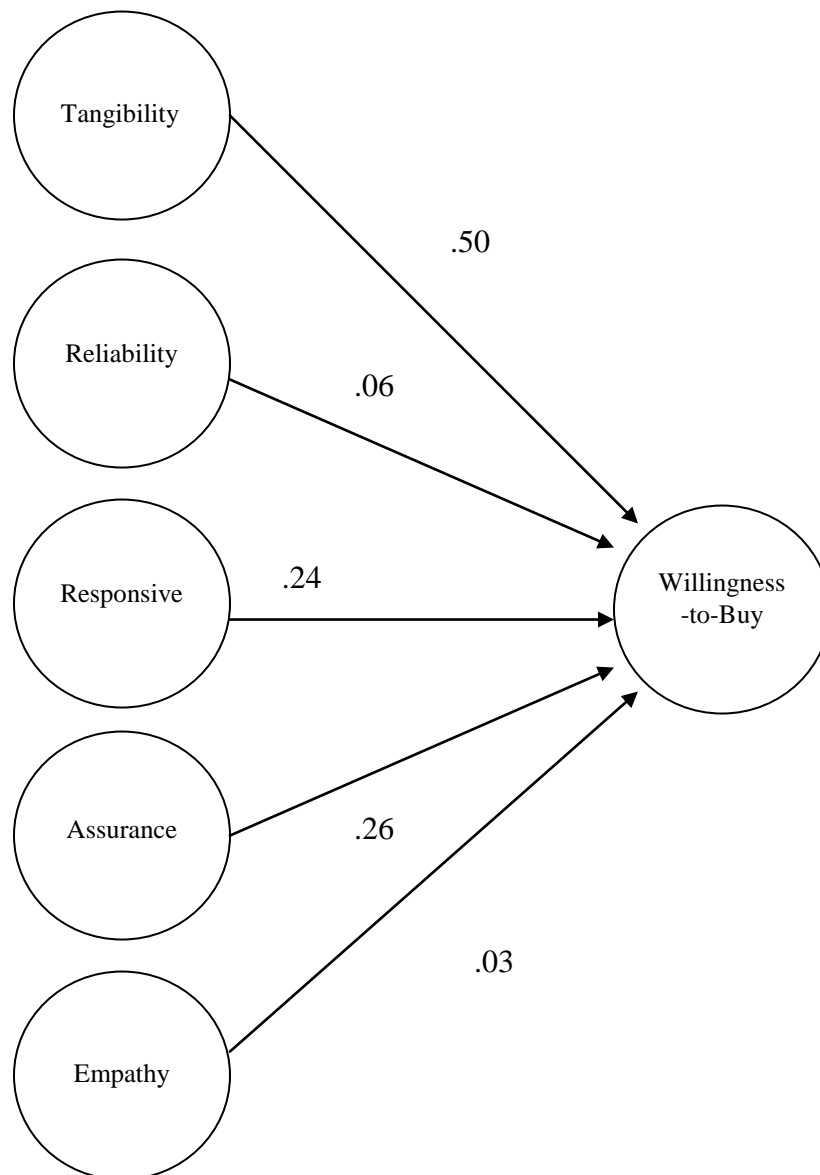
To examine the theoretical construct measures, we examine the loadings of each indicator on their respective latent variable (table 2). In PLS, the numerical parameter estimate is the simple correlation coefficient between the indicator and the latent variable. These results suggest that the theoretical constructs reflect the meaning of their underlying variables. The overall model R<sup>2</sup> is 81%, illustrating good overall model fit for a PLS model.

This research finds that for the contact people in the black-owned grocery retailers (table 2), empathy is the major contributor to willingness-to-buy (0.72) followed by assurance (0.16). Tangibility (0.13), reliability (0.12) and responsiveness (0.13) play a much smaller role. All parameter estimates are significant (p < .05).

### B. White-owned Retailers

The results of the white-owned retailers are provided in figure 3. Indicator-on-latent variable parameter estimate means and standard deviations and the latent-on-latent variable parameter estimate means and standard deviations are provided in table 3.

**Figure 3**  
**White-owned Grocery Retailers Results**



**Table 3**  
**White-owned Retailer Results**

<b>Indicator per Latent Variable parameter estimates</b>			
Tangible	Equipment	Attractive	Well-dressed
	0.82 <sup>a</sup> (0.0022) <sup>b</sup>	0.76 (0.0041)	0.80 (0.0024)
Reliable	Keep promise	Dependable	
	0.92 (0.0024)	0.67 (0.0058)	
Responsive	Prompt	Willing to help	Available
	0.78 (0.0021)	0.82 (0.0020)	0.82 (0.0020)
Assurance	Trust	Feel safe	Polite
	0.77 (0.0028)	0.76 (0.0027)	0.67 (0.0041)
Empathy	Get pers Attn	Know needs	Best Inter
	0.72 (0.0044)	0.81 (0.0030)	0.82 (0.0026)
Willingness-to-Buy	Prefer	Do most	Recommend
	0.88 (0.0011)	0.82 (0.0026)	0.81 (0.0018)
<b>Latent Variable per Latent Variable parameter estimates</b>			
Tangibility => Willingness-to-Buy			0.50 <sup>a</sup> (0.005) <sup>b</sup>
Reliability => Willingness-to-Buy			0.06 (0.005)
Responsiveness => Willingness-to-Buy			0.24 (0.005)
Assurance => Willingness-to-Buy			0.26 (0.004)
Empathy => Willingness-to-Buy			0.03 (0.004)

<sup>a</sup> parameter estimate

<sup>b</sup> standard deviation

To examine the theoretical construct measures, we examine the loadings of each indicator on their respective latent variable (table 3). These results suggest that the theoretical constructs reflect the meaning of their underlying variables. The overall model R<sup>2</sup> is 78%, illustrating good overall model fit for a PLS model.

This research finds that for the contact people in the white-owned grocery retailers (table 5), tangibility (0.50) plays a major role, followed by assurance (0.26) and responsiveness (0.24) contribute evenly to willingness-to-buy, while reliability (0.06) and empathy (0.03) playing a much smaller role. All parameter estimates are significant (p < .05).

### C. Comparisons between Black-owned and White-owned Retailers

Results comparing retailer ownership and the economic/social power literatures

found in table 4. All differences between white- and black-owned retailers are significant ( $p < 0.05$ ).

**Table 4**  
**Results Summary**

	<b>Directional results</b>	<b>Consistency with previous economic and social power literatures</b>
<b>Black customers in Black-owned retailers</b>	<ul style="list-style-type: none"> <li>• Assurance: -- <sup>a</sup></li> <li>• Empathy: ++</li> <li>• Responsive: --</li> <li>• Reliability: ++</li> <li>• Tangibility: --</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance: consistent with both economic and social power literature</li> <li>• Empathy: consistent with both economic and social power literature</li> <li>• Responsiveness: consistent with economic power literature</li> <li>• Reliability: consistent with social power literature</li> <li>• Tangibility: consistent with economic power literature</li> </ul>
<b>Black customers in White-owned retailers</b>	<ul style="list-style-type: none"> <li>• Assurance: ++</li> <li>• Empathy: --</li> <li>• Responsive: ++</li> <li>• Reliability: --</li> <li>• Tangibility: ++</li> </ul>	

<sup>a</sup> -- refers to lesser importance, ++ refers to greater importance

Previous research on the influence of economic and social power differentials in this emerging market offer some conflicting expectations. We find that the results for Assurance and Empathy follow both the economic and social power research, namely, black-owned retailers will stress these service elements of the retail setting and white-owned retailers will put less emphasis on these service elements. We also find that results for Responsiveness and Tangibility follow the economic power research and conflict with the social power research. Specifically, white-owned retailers can take advantage of their access to financial assets and excel at these retailing functions. Lastly, our results for Reliability follow the social power research and conflict with the economic power research. Therefore we find mixed support for H1 and H2. In the following section, we discuss the implications of this research.

## V. DISCUSSION AND IMPLICATIONS

The South African government's drive toward black economic empowerment offers many challenges and opportunities. In our research, we look at a narrow but important element in this empowerment policy. We investigate new retail development through the interaction lens of the retailer contact and the black Xhosa township residents. We focus on the consumer's perception of service quality and its influence on



the consumer's willingness-to-buy.

Our results relative to existing social and economic power research for this emerging market are summarized in table 4. We find that the economic power research can predict the influence of Assurance, Empathy, Responsiveness and Tangibility on willingness-to-buy for white-owned retailers. However, an interesting finding lies in the effect of Reliability. The massive economic advantage maintained by the white-owned retailers over the black-owned retailers would suggest that the white-owned retailers should use their resources to standardize and improve their order fulfillment reliability (Lovelock 1991). Our data does not support these findings. Our results show that consistent with the social power research, the black township residents find the black-owned retailers to be much more reliable than the white-owned retailers. The reliability of the black-owned retail operations contribute strongly to the township consumer's perceptions of the retail environment. In this research, reliability consists of dependability and that they perform the promised services and did so on-time. These cultural norms and the emphasis on the need to keep "their word" in the Xhosa townships negate any economic advantage the white-owned retailers have when it comes to keeping promises and doing so on-time. Additionally, as with empathy, reliability appears to be an instance where Xhosa cultural norms offer an advantage for black-owned retailers in this emerging market.

Consistent with both the economic power and social power research, we found that contact people in the small black-owned retailers primarily use empathy to influence willingness-to-buy. The vast majority of South African blacks in southern townships are ethnic Xhosa. Both of these ethnic groups are considered, at least at the tribal level, as collectivist. This collectivist cultural value is known as *ubuntu* and it places a high value on harmonious inter-personal relationships, caring for each other and sharing. It stresses the avoidance of conflict and confrontation and is more concerned about the whole rather than individual gain (Khumalo 2001). Our results for Xhosa (collectivist) shoppers are loosely supported in the research of Graham, Kim, Lin and Robinson (1988) who found in purchase negotiations, Chinese, Japanese and Korean (collectivist cultures) respondents had a higher correlation between interpersonal attraction and satisfaction than did the American (individualistic culture) respondents as well as the research of Liu and McClure (2001) who find that collectivist cultures have very different complaint behaviors when compared to individualistic cultures. Our results suggest that this conflict avoidance cultural norm can, and should, be leveraged by the new black-owned grocery retailers.

The social power literature is mute on the effects of tangibility on buyer behavior, however, we find that consistent with economic power research the contact people in the white-owned retailers primarily use tangibility followed by a combination of responsiveness and assurance to influence willingness-to-buy. The white-owned retailers, such as those present in this research setting are very well funded, they typically focus on multi-segment markets, carry a wide variety product offerings and utilize modern technology to aid in, amongst others, the management of inventory, pricing activity, and service delivery. Given the wide customer base of such a retailer, one-on-one service is not practical. Therefore, these retailers use their financial

resources to focus on service levels that complement their operations procedures (Taylor and Smalling-Archer 1994), such as facilities structure, use of technology, and promptness in filling orders and providing assistance (e.g., Reid 1995). Our research supports these observations.

### **A. Limitations**

To improve our generalized findings, and to provide more support for black-owned retailers, replication of this study in other cultural settings is suggested. In this research, we studied a single Xhosa township in South Eastern Cape region of South Africa. Small local retailers throughout the Southern Africa are faced with competitive pressures from large white-owned and established retail chains. To the black-owned retailer, survival is often the first goal, and a better understanding the intricacies of competitive strategy and how to influence the customers' Willingness-to-Buy are central to this survival. Replication in other emerging markets is a logical next step to improving the ability to generalize the findings presented here.

## **VI. MANAGERIAL IMPLICATIONS**

As South African society continues to change, and as the government continues to drive toward black-empowerment in the business sector, our research suggests that, consistent with the cultural concept of *ubuntu*, black-owned retailers should be encouraged to supply empathetic and caring service because of its very strong influence on the black township residents' willingness-to-buy. Our results suggest that black township residents do respond favorably to empathy, assurance and reliability considerations, and while such a practice could be more expensive and more demanding for these retailers, it can be rewarding, especially as they compete for customers against larger, better funded, white-owned national chains.

In essence, for Xhosa customers, good business practices merge with a traditional proverb, *Unyawo alunampumlo*, an ancient concept that is an exhortation of hospitality. Xhosa collectivist culture maintains that helping others and treating them kindly is critical because you may need their help in the future. Even after a decade of change, currently, economic power clearly lies in the white community and because of this white-owned retailers have a massive economic advantage over the black-owned start-ups. But, social power research offers a method of competing without the need for large amounts of financial capital. Consistent with Xhosa cultural norms, we find that for black-owned retailers, empathy, reliability and responsiveness are critical to their business success in South Africa's emerging business markets.

## **REFERENCES**

Aaker, J.L. and Williams, P. (1998), Empathy versus Pride: The Influence of Emotional Appeals across Cultures, *Journal of Consumer Research*, Vol 25 (December), pp. 241-261.

Baker, J., Levy, M. and Grewal, D. (1992), An Experimental Approach to Making Retail Store Environmental Decisions, *Journal of Retailing*, Vol 68 (Winter), pp. 445-460.

Bitner, M. (1992), Servicescapes: The Impact of Physical Surroundings on Customer and Employees, *Journal of Marketing*, Vol 56, No 2, pp. 57-72.

Bitner, M., Booms, B. and Mohr, L. (1994), Critical Service Encounters: The Employee's Viewpoint, *Journal of Marketing*, Vol 58 (October), pp. 95-106.

Carter, M.R. and May, J. (2001), One Kind of Freedom: Poverty Dynamics in Post-Apartheid South Africa, *World Development*, 29, 12, pp. 1987-2006.

Cronin, J.J. and Taylor, S.A. (1992), Measuring Service Quality: A Reexamination and Extension, *Journal of Marketing*, Vol 56 (July), pp. 55-68.

\_\_\_\_\_ (1994), SERVPERF versus SERVQUAL: Reconciling Performance-Based and Perceptions-Minus-Expectations Measurement of Service Quality, *Journal of Marketing*, Vol 58 (January), pp. 125-131.

Dabholkar, P.A., Thorpe, D.I. and Rentz, J.O. (1996), A Measure of Service Quality for Retail Stores: Scale Development and Validation, *Journal of the Academy of Marketing Science*, Vol 24, No 1, pp. 3-16.

Dick, A.S. and Basu, K. (1994), Customer Loyalty: Toward an Integrated Conceptual Framework, *Journal of the Academy of Marketing Science*, Vol 28, pp. 99-113.

Dijkstra, T. (1983), Some Comments on Maximum Likelihood and Partial Least Square Methods, *Journal of Econometrics*, Vol 22, pp. 67-90.

Dodds, W.B., Monroe, K.B. and Grewal, D. (1991), Effects of Price, Brand and Store Information on Buyers' Product Evaluations, *Journal of Marketing Research*, Vol 28 (August), pp. 307-319.

Donthu, N. and Yoo, B. (1998), Cultural Influences on Service Quality Expectations, *Journal of Service Research*, Vol 1, No 2, pp. 178-186.

Furrer, O., Liu, B.S. and Sudharshan, D. (2000), The Relationship Between Culture and Service Quality Perceptions, *Journal of Services Research*, Vol 2, No 4, pp. 355-371.

Graham, J.L., Kim, D.K. Lin, C. and Robinson, M. (1988), Buyer-Seller Negotiations Around the Pacific Rim: Differences in Fundamental Exchange Processes, *Journal of*

*Consumer Research*, Vol 15, No 1, pp. 48-54.

Hofstede, G. (1991), Cultures and Organizations: Software of the Mind, McGraw-Hill, London.

Hulland, J. (1999), Use of Partial Least Squares (PLS) in Strategic Management Research: A Review of Four Recent Studies, *Strategic Management Journal*, Vol 20, pp. 195-204.

Jacoby, J. and Chestnut, R.W. (1978), Brand Loyalty Measurement and Management, Wiley, New York.

Khumalo, R. (2001), Concern for others: A Management attribute of excellent companies, *South African Journal of Business Management*, Vol 32, No 1, pp. 57-65.

Liu, R.R. and McClure, P. (2001), Recognizing Cross-Cultural Differences in Consumer Complaint Behavior and Intentions: An Empirical Examination, *Journal of Consumer Marketing*, Vol 18, No 1, pp. 54-76.

Lovelock, C.H. (1991), Services Marketing, Prentice Hall, New York.

Lovelock, C.H. and Yip, G.S. (1996), Developing Global Strategies for Service Businesses, *California Management Review*, Vol 38, pp. 64-86.

Mattila, A.S. (1999), The Role of Culture in the Service Evaluation Process, *Journal of Service Research*, Vol 1, No 3, pp. 250-261.

Maxwell, S. (1999), Biased Attributions of a Price Increase: Effects of Culture and Gender, *Journal of Consumer Marketing*, Vol 16, No 1, pp. 9-24.

Mbigi, L. and Maree, J. (1995), Ubuntu – The Spirit of African Transformation Management, Knowledge Resources, Randburg.

McCracken, G. (1986), Culture and Consumption: A Theoretical Account of the Structure and Movement of the Cultural Meaning of Consumer Goods, *Journal of Consumer Research*, Vol 13, pp. 17-84.

McGee, J.E. and Peterson, M. (2000), Toward the Development of Measures of Distinctive Competencies among Small Independent Retailers, *Journal of Small Business Management*, Vol. 38, 2, pp. 19-34.

Michon, R. and Chebat, J.C. (2004), Cross-Cultural Mall Shopping Values and Habits: A Comparison between English- and French-speaking Canadians, *Journal of Business Research*, Vol 57, pp. 883-892.

Mthembu, D. (1996), African Values: Discovering the Indigenous Roots of Management, in R. Lessem and B. Nussbaum (eds), Sawubona Africa - Embracing four worlds in South African Management, Zebra Press, Sandton.

Murphy, M. (1996), Small Business Management, Longman Publishing, London.

Oswald, L.R. (1999), Culture Swapping: Consumption and the Ethnogenesis of Middle-Class Haitian Immigrants, *Journal of Consumer Research*, Vol 25 (March), pp. 303-318.

Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1988), SERVQUAL: A Multi Item Scale for Measuring Consumer Perception of Service Quality, *Journal of Retailing*, Vol 64 (Spring), pp. 12-40.

\_\_\_\_\_ (1991), Refinement and Reassessment of the SERVQUAL Scale, *Journal of Retailing*, Vol 58, No 4, pp. 420-450.

\_\_\_\_\_ (1994), Reassessment of Expectations as a Comparison Standard in Measuring Service Quality: Implications for Further Research, *Journal of Marketing*, Vol 58, No 1, pp. 111-114.

Quester, P.G., Karunaratna, A. and Goh, L.K. (2000), Self-Congruity and Product Evaluations: A Cross-Cultural Study, *Journal of Consumer Marketing*, Vol 17, No 6/7, pp. 525-538.

Reddy, P., Sing, D. and Moodley, S. (2003), Local Government Financing and Development in Southern Africa, Oxford, Cape Town.

Reid, M. (1995), Stores of Value: Wal-Mart, *The Economist*, Vol 334 (March), pp. 5-7.

Reilly, M.D. and Wallendorf, M. (1987), A Comparison of Group Differences in Food Consumption using Household Refuse, *Journal of Consumer Research*, Vol 14 (September), pp. 289-293.

Stone, K.E. (1994), Competing with Retail Giants: How to Survive in the New Retail Landscape, New York, N.Y: John Wiley and Sons.

Taylor, D. and Smalling-Archer, J. (1994), Up Against the Wal-Marts: How Your Business can Prosper in the Shadow of the Retail Giant, AMA, New York.

Terblanche, N. and Boshoff, C. (2001), Measuring Customer Satisfaction with the Controllable Elements of the Instore Shopping Experience, *South African Journal of Business Management*, Vol 32, No 4, pp. 11-20.

Terblanche, N. (1998), Retail Management, Thompson Publishing, Capetown.

Usunier, J.C. (1996), Marketing Across Cultures, Prentice-Hall, New York.

Weisbrod, G. and Pollakowski, H.O. (1984), Effects of Downtown Improvement Projects on Retail Activity, *Journal of the American Planning Association*, Vol 50, pp. 148-161.

Welles, E. O. (1993), When Wal-Mart Comes to Town, *Inc*, Vol 15 (July), pp. 76-80.

Winsted, K.F. (1997), The Service Experience in Two Cultures: A Behavioral Perspective, *Journal of Retailing*, Vol 73, No 3, pp. 447-460.

Wold, H. (1974), Causal Flows with Latent Variables, *European Economic Review*, Vol 5, pp. 67-86.