Competitive Level of the Trade Service Quality: Resource-based Approach

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Abstract

The trade service quality is considered to be the fundamental basis for creating the consumer value in the market offer. The transformation of resources into a value proposition requires to define the priority areas of their investment in accordance with the key determinants of the trade service quality, which determined the purpose of this study. It has been proved that the state of the material and technical base of Russian trading enterprises does not correspond to the tasks of ensuring a competitive level of the trade service quality.

Key-words: Trade Service Quality, Strategic Determinants of the Trade Service Quality, Resources of the Trading Enterprise, Consumer Value of the Proposition.

1. Introduction

Business strategies of the Russian trading enterprises are aimed at ensuring sustainable growth with the efficient use of the resource potential. The resource-based approach to managing the Russian trading enterprises is described in (Ivanov: 2016). Sustainable enterprise growth requires focusing the resource potential on creating value propositions for target customers. The consumer value of the proposition serves as the basis of the modern business model and determines the ability of the enterprise to achieve its targets in sales, profits, and cash flows both in the short and long term, and ultimately in the main goal – to increase the shareholder value in the market. Approaches to creating the consumer value propositions in the context of globalization of the market are changing and require in-depth research in the field of offline and online trade (Deputatova et al.: 2018).

The consumer perception of the trade service quality serves as the strategic platform of the consumer value of the market offer. In its essence, the trade service quality determines the level of

customer satisfaction, which determines the strategic position of the enterprise and the ability to maintain and increase the target market. It is known that companies with a consumer satisfaction index of more than 50 % increased the capital value of their shareholders on average 2.4 times more than companies with a low customer satisfaction index (Best: 2015).

Transformation of the resource potential into the value proposition is a fundamental task of the modern business. P. Kotler (2012) defines the concept of the "value market proposition" in his works and considers its components. Since the resources of a trading enterprise are always limited, it becomes necessary to determine their sufficiency and priority areas of investment in accordance with the key determinants of the trade service quality that define the success of the trading organization in the market.

The results of the study are presented in the article, the purpose of which was to determine the priority areas of investment and the key resources allocated for the creation and maintenance of the consumer value of the market offer. The following tasks have been solved to achieve this goal:

– defining the key strategic determinants that describe the trade service quality in Russian and foreign enterprises, based on the analysis and generalization of theoretical sources of information;

– assessing the state of the material and technical base of Russian trading enterprises as a fundamental basis for ensuring the trade service quality;

– defining the strategic determinants as priority areas for investment by Russian trading enterprises in ensuring a competitive level of the trade services quality; and

– defining the key types of resources of trading enterprises to create and maintain a competitive level of the trade service quality.

The solution of these tasks has required to formulate the research hypotheses, the main of which are set out below.

Hypothesis 1. The strategic platform for creating consumer value of the market offer as a whole for Russian trading enterprises is not provided with sufficient resources to form a fundamental basis for ensuring a competitive level of the trade service quality – the material and technical base of trade. The commodity resources of trade organizations are not adequately provided with innovative products.

Improving and maintaining the perceived trade service quality require massive investments. Being the basis of the material and technical base of trading organizations, fixed assets have a high level of wear. The innovative activities of organizations that carry out technological, organizational, and marketing innovations in manufacturing industries (food production, textile and clothing

production) remain at an extremely low level. This means that the proportion of innovative goods and services supplied to Russian trading enterprises is insignificant.

Hypothesis 2. Federal retail chains are provided with the resource potential necessary to create and maintain the consumer value of the market offer.

According to the Association of Companies of Retail Trade (ACORT), retail chains that are members of this Association represent 25 % of the retail market. The share of retail chains in the total retail turnover of food products amounted to 32.6 % in 2018 (ACORT: n.d). The development of the trade business in the food retail market is accompanied by active spatial diversification based on organic growth, mergers and acquisitions (M&A), and franchising technologies. These deals allow to concentrate the key resources and allocate them to creating and maintaining the competitive level of the trade service.

Hypothesis 3. Priority areas of investment and key types of resources allocated to creating and maintaining the competitive level of the trade service quality are consistent with international trends. The lack of human and labor resources is the priority problem in the resource management system of the federal retail chains.

2. Methods

The methods of generalizing theoretical knowledge on the problem under study, general logical research methods, and methods of interviewing experts (top and middle managers of Russian retail chains operating in the food retail market) were used in the study. The choice of empirical research methods was based on the need to confirm the research hypotheses. Economic and statistical methods of information analysis and ratings were used.

Strategic determinants were highlighted as priority areas of investment in the trade service quality in the process of generalizing theoretical knowledge from domestic and foreign sources of information. These strategic determinants, backed by the necessary resources, are able to provide a competitive level of the trade service quality.

An expert survey was conducted to identify the key strategic determinants as priority areas for investment. The ranking of the expert assessments also allowed to identify the key types of resources required to support the priority areas of investment.

Fifteen experts heading the retail trade organizations were interviewed to obtain representative results. The survey was conducted in Moscow as the most representative region, which was a driver of innovation in creating consumer value of the proposition, and hence had a competitive level of the

trade service. The interviewed experts were specialists in the problems presented in the questionnaire. The level of qualifications in the area, under study, experience, and breadth of outlook were taken into account during the selection of the experts. The reliability of the expert assessments was confirmed by an indicator describing the objective assessment of an expert's competence ($h_J°$), which was an objective indicator, and an indicator describing an expert's self-assessment (h_J^a), which was a subjective indicator. In the second case, the expert independently defined the characteristics that determined the level of their personal competence, in their opinion. The expert's level of competence was determined using the following formula (1):

(1) $h_J = h_J° \times h_J^a/100$, where

$0 < h_J \leq 1$.

The variance indicator was used to assess the degree of consistency of the expert opinions, determined using the following formula (2):

m 2

(2) $D_J = \sum (C^i_J - M_J)/m$,

$I = 1$

where C^i_J was the estimates assigned by the i-th expert to the j-th problem;

m was the number of experts; and

$M_J(x)$ was the mean statistical values, defined as

m

(3) $M_J = \sum C^i_J/m$.

$I = 1$

The number of the experts in the group was based on the "pragmatic approach", where the minimum and maximum boundaries of the group size Nmin and Nmax were determined. The minimum number of the experts was estimated by the number of the evaluated events (m). The representativeness of the size of the expert group was ensured by its compliance with the following rule: the group of the experts must be greater than the number of events under consideration (m) (Golubkov: 2012). Therefore, Nmin ≥ m. The upper boundary is the potential number of the highly qualified experts:

Nmax ≤ Nn.

The actual value of the number of the experts lies within the following limits:

m ≤ Nmin ≤ N ≤ Nmax ≤ Nn.

In our case, this formula is as follows:

$5 \leq 5 \leq 15 \leq 15$.

After the size of the group was determined, its structure and composition were defined, i.e., the experts of the required specialization and qualifications were selected for the group.

The state of the material and technical base of Russian trading enterprises was analyzed based on the official statistical information included in the Rosstat database (Federal State Statistics Service: n.d). Comparison methods and groupings of statistical data allowed to obtain reliable and fairly complete information that allowed making assessments about the state of the material and technical base of Russian trading organizations.

3. Results

Result 1. The strategic key determinants that define the trade service quality were highlighted after studying and generalizing theoretical sources of information and empirical research and were described in (Uryasyeva, Kalugina: 2017). The identified strategic determinants were divided into two large groups in the course of the study: the first group included strategic determinants as priority areas for investment in the creation and maintenance of the competitive level of the trade service quality, and the second group included strategic determinants as key resources required to support these priority areas. The first group of the strategic determinants included, for example, the availability of the modern and innovative technologies for servicing customers, which allowed to ensure faster and better customer experience; professional skills of the service personnel as a set of professional competencies, the implementation of which ensured the timely provision of the necessary goods and various services to the buyer, including information; customer experience, which would reduce the time spent by the buyer on visiting the trading enterprise and purchasing the necessary goods, etc. The second group included such strategic determinants as resources allocated in accordance with the modern approach to their classification, which were necessary to create and maintain the modern level of the trade service. They were financial, informational, innovative, commodity, and marketing resources, which would allow to form a unique market offer.

Result 2. Analysis of the change in the index of the physical volume of investment in machinery, equipment, and vehicles carried out by the trading enterprises during reconstruction and modernization in 2010 – 2018 revealed that the growth of investment activities of enterprises in the active part of fixed assets observed in the previous three years had not led to an improvement in the state of their fixed assets (Table 1).

Table 1. Index of the physical volume of investment in machinery, equipment, and vehicles carried out by the trading enterprises during reconstruction and modernization in the Russian Federation (in comparable prices, as a percentage of the previous year)

Area of activity	2010	2015	2016	2018
Wholesale	115.1	82.7	133.2	116.7
Retail	103.0	80.1	2.3 times	119.0

The outdated material and technical base, a high level of depreciation of fixed assets, low fixed assets renewal and disposal rates, and their inconsistency with the establishing rates of their growth are the constraining factors of economic growth in trade. The average age of machinery and equipment is 14 years in commercial organizations of wholesale and retail trade and 12.2 years in noncommercial organizations, which is significantly higher than in all sectors of the economy (11.3 years and 10.9 years, respectively). Depreciation of fixed assets in wholesale trade amounted to 66.8 % in 2018, of which 31.7 % were totally worn out, while in retail trade the figures were 40.7 % and 8.4 %, respectively (Table 2).

Table 2. Main indicators of the state of the material and technical base in trade for commercial organizations engaged in wholesale and retail trade

Indicators	2010	2014	2015	2016	2017	2018
Depreciation rate of fixed assets, by the year end, %						
Wholesale trade	65.9	64.5	66.1	66.7	67.3	66.8
Retail trade	26.6	33.0	34.7	33.6	39.2	40.7
Share of fully worn-out fixed assets, by the year end, %						
Wholesale trade	17.7	21.6	24.7	26.5	27.4	31.7
Retail trade	2.5	3.6	3.8	4.3	7.7	8.4
Fixed assets renewal ratio, by the year end, %						
Wholesale trade	2.6	5.8	3.9	3.5	4.5	5.6
Retail trade	18.9	18.3	17.0	15.7	12.4	10.7
Fixed assets disposal ratio, by the year end, %						
Wholesale trade	0.2	0.2	0.1	0.1	0.2	0.1
Retail trade	0.7	0.9	1.3	1.3	1.3	1.2

Ensuring a high level of trade and technological processes requires accelerated fixed assets renewal and disposal rates. The fixed assets renewal rate in wholesale organizations ranged from 2.6 % to 5.6 % in 2010 – 2018, while the value of the disposal rate was insignificant – from 0.1 % to 0.2

%. These indicators are higher in retail trade, but there has been a trend for a significant reduction in the fixed assets renewal rate in this area in recent years – it amounted to 10.7 % in 2018 against 18.9 % in 2010. The regional specifics of the trade development, including its material and technical base, are studied in (Panasenko et al.: 2019).

Result 3. The survey of experts focused on three main problems in order to assess the security of the strategic platform for creating consumer value of the market offer with resources: determination by ranking the strategic determinants that were of priority importance for Russian trading enterprises; determination by ranking the competitive level of the trade service quality; and assessment of the compliance of the resources at Russian trading enterprises with the goals of providing high trade service quality.

The experts identified eight determinants of the strategic importance for Russian trading enterprises at the first stage. These determinants are the following:

1. Provision of the trading enterprise with various types of resources: financial, informational, innovative, commodity, and marketing. The potential use of these types of resources is determined by the efficiency of the management system at the trade organization to a greater extent;

2. Availability of the modern and innovative technologies for customer service. This strategic determinant is determined by the company's decisions on the capitalization of profits allocated to the renewal and innovation-driven growth of the company's noncurrent assets;

3. Professional skills of the personnel interacting with buyers. In essence, this strategic determinant defines the successful implementation of the previous one and is closely related to it. In the modern business, investment in human resources as a source of knowledge for innovative ideas and technologies is a key strategic determinant;

4. Customer experience, including the ability of the buyer to choose the purchase channel and location of the trading enterprise, which belongs to the spatial resources of the trading organization and largely determines the possibility of reaching the target market;

5. Communications at points of sale, including consultation of sellers, display of goods, and organization of trade advertising and navigation;

6. External communications based on attractive marketing activities, including customer loyalty programs;

7. Innovative ways to provide pre-sale, after-sale and in-purchase services; and

8. Equipment of the sales area, merchandising events, the interior of the premises that form the idea of high quality of the services provided to buyers.

Consensus among the retail and wholesale trade experts allowed to reveal a similarity of opinions regarding four key strategic determinants of the trade service quality.

Table 3. Ranking of the strategic determinants that determine the trade service quality (consensus opinion of the experts)

#	Description of strategic determinants	Ranks
1.	Provision of the trading enterprise with various types of resources	8
2.	Availability of the modern and innovative technologies for customer service	2
3.	Professional skills of the service personnel	1
4.	Customer experience, including the location of the trading enterprise	3
5.	Communications at the point of sales	5
6.	External communications	6
7.	Innovative ways of delivering services	4
8.	Sales area equipment and merchandising events	7

The surveys of the experts showed that the top four investment priorities for creating a strategic platform for the trade service quality included professional skills of employees interacting with customers, innovative service technologies, customer experience, and innovative ways of providing services. According to the experts, the maintenance of priority areas that ensure the trade service quality by various types of resources is ranked eighth.

The experts assessed the importance of the main types of resources at the trading enterprises to ensure high trade service quality at the second stage of the survey (Table 4).

Table 4. Ranking of the main types of resources at the trading enterprises (agreed expert opinion)

#	Resource potential components	Ranks
1.	Active part of fixed assets	10
2.	Passive part of fixed assets	11
3.	Financial resources	4
4.	Informational resources	8
5.	Commodity resources (tangible current assets)	5
6.	Marketing resources	6
7.	Innovative resources	7
8.	Entrepreneurial knowledge, skills	3
9.	Labor resources	2
10.	Human capital	1
11.	Location of the trading enterprise, reach of target customers	9

Human resources, labor resources, and entrepreneurial knowledge and skills become the most important sources of the modern trade business development. Human capital and human resource are intellectual resources by definition. People with their intellect, abilities, and aptitude for learning, sociable, with adequate self-esteem, and able to build trusting relationships are the company's assets. Entrepreneurial abilities involve taking initiative, making managerial decisions, introducing innovations, and taking responsibility for the economic consequences of the made decisions. An appropriate level of education, qualifications, and abilities of people are required to realize these skills.

The experts worry the least about the state of the material and technical base of the federal retail chains. In terms of importance, they ranked the main components of the material and technical base of trade (the passive and active parts of fixed assets) 10th and 11th, respectively.

The experts determined the compliance of the trading organization's resources with the target tasks of ensuring the trade service quality at the third stage. It was revealed that the lack of human and labor resources was the main problem describing the state of the resource potential of the federal retail chains. According to the experts, the state of the active part of fixed assets and financial and innovative resources fully corresponds to the solution of the problems of improving the trade service quality. The most important types of resources are informational, and their most important component (marketing resources) basically meets the requirements of the experts.

4. Discussion

Generalization of the existing approaches allowed to give the authors' definition of the "trade service quality" concept as a complex term including a combination of the resource-based, cost-based, and process-based approaches to customer service. The resource-based approach assumes the availability of all types of material and nonmaterial resources (marketing, financial, technological, informational, etc.) used to ensure that the trade service quality meets consumer expectations, and in some cases even exceeds them.

Analysis of foreign literature allows to differentiate quality into four important categories: the most important categories of quality, categories forming quality, categories improving quality, and aesthetic quality categories. Classification of these categories allows to highlight the key determinants in each of them, and their assessment allows to determine the general level of customer satisfaction with the trade service quality. It is critical for creating and maintaining a competitive level of the trade service.

Such concepts as the trade service quality and the quality of services provided were identified while studying the problem of forming the competitive level of the trade service quality. Identification of the strategic determinants in accordance with the above categories of quality allows assessing the quality of services provided by Russian trading organizations.

There is an opinion that the "service quality" includes the state of the material and technical base of trade and the use of progressive forms of selling goods and methods of service that are convenient for the population. The service quality, according to the authors of this approach, fully depends on the achieved level of production of consumer goods and the available resources for its satisfaction (Porter: 2008). In fact, the emphasis in the definitions of these authors is made on the resource capabilities of not only a trading enterprise, but also the production sector. This fundamental approach to defining the trade service quality requires an assessment of the resource potential of the trading organization required to provide a competitive level of customer service.

5. Conclusion

The study of scientific approaches to the definition of the trade service quality concept and its components allows to state the lack of a strategic integrated approach to its assessment based on the understanding of the key promising areas of investment in the creation of the value market proposition. To this end, expert surveys have been conducted to identify the strategic determinants of the trade service quality.

The surveys of the experts have indicated that the top four investment priorities for creating a strategic platform for the trade service quality include professional skills of employees interacting with customers, innovative service technologies, the convenience of the enterprise location as a place of purchase, and innovative ways to provide services. Human resources, labor resources, and entrepreneurial knowledge and skills have become the most important sources of the modern business development. It has been revealed that the lack of human and labor resources is the main problem describing the state of the resource potential of the federal retail chains, which leads to inefficient use of their potential. According to the experts, the state of the active part of fixed assets and financial and innovative resources fully corresponds to the solution of the problems of improving the trade service quality.

The discrepancy between the state and development of the material and technical base of Russian trading enterprises and the federal retail chains has been revealed. The obsolete material and technical base, high level of depreciation of fixed assets, low rates of renewal and retirement of fixed

assets, and their inconsistency with the establishing rates of their growth are the limiting factors of the economic growth in trade. The state of the material and technical base of the federal retail chains fully corresponds to the solution of the problems of improving the trade service quality.

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