Operation analysis of iga supermarket assignment

Business, Marketing

EXECUTIVE SUMMARY This essay aims to conduct an operational analysis on IGA (Independent Grocers Alliance) which is one of the top five retail stores in Australia. This study examines the relationships between productivity, administrative effectiveness, customer satisfaction, and employee attitudes over time. This essay will evaluate the effectiveness by reviewing the performance analysis. This essay also offers a detailed and comprehensive operational analysis of IGA's strategies and executions and focuses on providing a qualitative review of the company's operating environment and business outlook.

This study starts by explaining the concept of service quality and employee performance. The findings indicate some reasons for service quality decline among employees which is followed by explaining the strategies on how to develop employee performance which can yeild good results in business. TABLE OF CONTENTS 1) Introduction 2) Service Quality 3) Employee Performance 4) Reasons for Employee Performance Declination 5) Service Quality Measurement 6) Measures to Improve Service Quality 7) Service Quality Dimensions 8) Total Quality Management (TQM) 9) Competition in Supermarket Industry 0) Strategies to make Operations More Effective 10. 1) Employee Involvement 10. 2) Ensure service leadership 10. 3) Excellent Customer service 10. 4) Reward System 10. 5) Performance measurement strategies 10. 6) Customer satisfaction and loyalty 11) Conclusion Introduction: Supermarket shopping is often categorised as a self-service retail environment. For supermarket retailers wanting to build relationships with their customers, being able to track their levels of ' satisfaction' with the key elements of the supermarket environment is extremely important.

Service quality and customer satisfaction are increasingly becoming important for supermarket industry to stay in the business. This essay about the operational analysis of IGA supermarkets on employee performance, service quality and customer satisfaction. As a branch manager of IGA, I ' am responsible for conducting the operational analysis to improve business and surviving in the competitive market. As a branch manager of IGA, I identified a problem in the analysis that in one of the branch employee performance is declined which in turn effected service quality and employee satisfaction.

In this study we will discuss the reasons for performance declination and give the possible strategies in order to make operations effective. This essay starts by explaining the general concept of service quality, its meaning and service quality at IGA supermarkets. Service quality has been seen as critical for service firms to position themselves strongly in a competitive environment (Parasuraman, et al. , 1985, Shemwell et al. , 1998; Mehta et al. , 2000) and it also indicates its business performance (Hurley & Estelami, 1998).

Superior service quality can help firms become more profitable and help them sustain a competitive advantage in their served markets. It also identifies the strength and weakness of the service which is currently being delivered. This is followed by the reasons of performance declination. Secondly, it discusses many possible strategies which make IGA branch operations effective. Thirdly, it provides the implementation process of all these strategies. Finally conclusions are drawn from all the above analysis and possible recommendations were given.

Service Quality: Service quality is the delivery of excellent or superior service related to customer expectations" and occurs for most services during the interaction between a customer and a service provide. Most of the service quality definitions fall within the " features of products which meet customers' needs and thereby provide customer satisfaction" category (Juran, 1999). Feinburg & de Ruyter (1995) pointed the importance of adapting the definition of service quality in different cultures.

Ueltschy & Krampf (2001) contended that differences in culture affect measure of quality in a service sector. They encapsulated service quality measures as " culturally sensitive" and " may not perform properly or comparatively in a culturally diverse group domestically or abroad". Cultural factors are said to have greater influence on people's evaluation of services than on their evaluations of physical goods due to involvement of customer contact and interaction with employees while a service is delivered (Mattila, 1999).

Other researchers look at perceived service quality as an attitude. As perceived service quality portrays a general, overall appraisal of service i. e. a global value judgment on the superiority of the overall service, it is viewed as similar to attitude. Researchers have often emphasised the subjective aspect of the concept of service quality; " The only criteria that count in evaluating service quality are defined by customers. Only customers can judge quality: all other judgements are essentially irrelevant" (Zeithaml et al. , 1990, p. 16).

In order for a company to control service quality, it is vital to focus on the specific attributes that are valued as important to the target customers and to deliver the correct type of service with respect to these attributes. Regardless of how service quality has been formed – the result of the customer's own comparisons of expectations and outcome, or simply experience-based perceptions – most researchers strive to find out and understand what attributes, resources and activities that we need to include when evaluating service quality.

There exists a plethora of definitions within this research area: quality dimensions, quality determinants, quality indicators, quality aspects, quality criteria and quality factors. Employee Performance: Performance management is the process of management that contributes to the effective management of individuals and teams to achieve high levels of organizational performance. Some see performance management as performance related pay schemes and others as the performance appraisal systems.

In simple terms, performance management provides the means for people to improve their performance or apply their abilities more constructively. An appraisal is the business tool used at a regular basis to measure an employee's performance. It is an opportunity to take an overview of a specified period keeping a record of what has been achieved. Appraisals are followed by ratification of objectives for the next period. They are also sometimes used as motivational tools. This process determines the measurement of performance and helps in the development of employees.

The main objective in this process is to improve the performance of individuals to ultimately improve the efficiency and productivity of the company. Appraisals subjectively assist post holders to understand the accountabilities and performance standards of a company. The process provides the opportunity into looking at what the company has achieved and what it can achieve. The tool helps set objectives for the next period in hopes of achieving a higher sales target for example. Performance appraisals benefit post holders as they reveal the good and bad aspects of a given job.

They improve the relationships and moral within the organization. For an organization performance appraisals acquire information about employees, information for development and assists human resource needs more accurately for example, promotions, bonuses, perks, individual payment schemes, etc. Reasons for Employee Performance Declination: IGA has been operating very effectively from many years in Australia. It excels in excellent products and services. If one of the staff member of IGA seem to be declining in their personal performance will effect the quality of service. The reasons for this declination can be due to many reasons.

Some of them are like brand image problems, improper customer service, management problems; personal problems among staff, reward systems, complex situations, etc. there are many strategies which can increase the performance and customer satisfaction of the company in order to develop customer-staff relationship in terms of service there should be and interaction between customers and the staff,. Pleasurable interaction refers to cognitive assessment of an individual's exchange with an employee and

personal connection is an expression of customer's acuity of bond between two parties in a dyad (DeWitt & Brady (2003).

Some of the factors that which increase the satisfaction levels amongst consumers are; Staff, Products and services, Point of sales and activation and network. Employee performance is considered as ineffective when productivity is below than the considerable standard which is acceptable at a given time. Performance declination of employees at IGA may be due to the job, the manager or the company. Two approaches have been taken in order to find the key factors in which the management can focus to improve IGA overall customer satisfaction.

The first is gap analysis which measures the gap between customer's expectations and perceptions of the service as an indication of service quality. The second approach is linear regression to determine the relative importance service attributes in driving overall customer satisfaction (Peter J. Danaher, Rodger W. Gallagher, 1997). Service Quality Measurement: It is difficult to measure service quality as compared to good's quality. The difficulty to measure is due to fewer tangible cues available when consumers purchase services (Parasuraman et al. 1985), fewer search properties, but higher in experience and credence properties (Zeithaml, 1981 in Parasuraman 1985), as compared to goods. It also requires higher consumer involvement in the consumption process (Gronroos, 1984). Gronroos (1984) found that " service quality" comprises of three global dimensions. The first dimension is the technical quality. This dimension refers to the outcome or what is delivered or what the customer gets from the service. For a retail

store, technical quality may include the range of products offered and the availability of parking space.

The next dimension is the functional quality which refers to the manner in which the service is delivered or how it is delivered. Customers of a retail store will measure whether the salespeople are friendly or whether products are easily returnable. Finally, the last dimension is the corporate image. The store's image is built by mainly both technical and functional quality and to some extent other factors like the traditional marketing activities. The most popular service quality model in the 1990s is the model by Parasuraman et al. , (1985).

Their model supported Gronroos' findings on as the models are based on these three underlying themes: 1) Service quality is more difficult for the consumer to evaluate than goods quality; 2) Service quality perceptions result from a comparison of consumer expectations with actual service performance; 3) Quality expectations are not made solely on the outcome of the service; they also involve evaluations of the process of the service (Parasuraman et al. , 1985, p. 42). Measures to Improve Service Quality: Some of the steps to improve service quality are as follows: We must realize that there is no way around this first.

We must make the investment in mapping out the existing processes within the store. Once you realize that you have a problem and you need to take action, how will you approach it? It starts right at the top: The first step is to acquire executive sponsorship, such as a VP or a CEO, to sponsor the project and commit the necessary resources to make these changes. A few words of

caution about this mapping process is that we shouldn't try to comprise all details in this map. Establish what is important and critical for our business and include only that on the diagram.

Step 2) Have a standard process: Standard processes start by making sure that all the departments in your company are well aligned in pursuit of the businesses' goals. It ensures that the sales team doesn't make promises our company can't deliver on, that it delivers the data that operations or finance need and that all departments agree on common objectives for the business. Although it sounds simple enough, most companies fail on this basic level of communication and why so many of them have difficulties managing growth.

Step 3) Quality Assess (QA) the Process: Once we've established a business process diagram, we need to distribute it to all stakeholders of that process. If not, the quality of your services will continue to suffer which may result in customers abandoning us and our investment will be wasted. QA is a high priority initiative: it must be embraced by the entire organization, as this can damage your brand and the way your customers perceive you. All these problems can be avoided if you have an appropriate QA process, and your management takes it seriously.

Step 4) Automate Process with High Return on Investment (ROI) It is the staff responsibility to handle numerous manual processes as the business changes and evolves. The staff should identify the most critical processes that should and can be automated, document them, and then create a project plan to address them quickly. Although sometimes it is difficult to measure the return but it is a good practice to calculate the ROI on each

process automation initiative to ensure its payback is in line with company expectations or standard practices.

Automation has another important goal: consistency. Automation can ensure best practices are consistently followed, service error rates are reduced, and customer satisfaction scores are consistently higher. Step 5) Be Preventive, Not Reactive Many organisations tend to address performance and availability issues reactively. Unfortunately many of these issues cause service degradation resulting in a loss of customer goodwill. A better approach is to anticipate problems and deal with them before they have impact on service quality.

With a predictive approach, you can analyse events and trends, assess both their short-term and long-term impact on service quality, and deal with problematic events before they have an impact on service quality. Step 6) Identify and Rectify the Problem faster: The final step sounds as simple as it is; the best teacher is the customer. Make sure that they have a very easy way to provide you with feedback. This will complement the quality processes and will enable our company to react to a problem that has not been anticipated faster.

We can simplify and speed up the problem diagnosis process by splitting up big systems in smaller ones with clear interfaces and checkpoints, so that senior level manager is not required to diagnose the issue. Service Quality Dimensions: The scale that has high construct reliability and validity in measuring service quality in department stores include: Physical aspects – Service is said to be distinguished from goods due to its intangibility. The

tangibility aspects of a service have a significant effect on perceived service quality .

The importance of physical environment in a service setting is due to its ability to influence consumer attitudes (Koernig, 2003), behaviour intention (Keillor, et al. , 2004) and behaviour (Bitner, 1992; Koernig, 2003). As customers are involved in the production and consumption process of a service conducted within a physical environment, the physical environment will have a deep impact on customers' perception of service experiences (Bitner, 1992). Reliability – The reliability dimension comprise of " promises" and " doing it right" sub dimensions (Dabholkar et al. 1996). Besides fulfilling promise and performing the right service as part of reliability, the researchers added the availability of merchandise as part of the " doing it right" sub dimension. Problem solving – This dimension incorporated store's willingness to handle returns and exchanges, shows a sincere interest in solving customers' problems, and also store personnel's ability to handle customer complaints directly and immediately. They highlighted the need to have problem solving as a dimension by itself because of the importance of " service recovery" in providing good service.

Policy – Store policy influences various aspects of service quality (Dabholkar et a. l, 1996). They elaborated store policy to include high quality merchandise, parking facilities, convenient operating hours, acceptance of major credit cards, and store's own credit card. {draw: rect} {draw: rect} Figure 1: Conceptual Framework for Retail Service Quality Total Quality Management (TQM): Another part of TQM is to empower all employees to

seek out quality problems and correct them. With the old concept of quality, employees were afraid to identify problems for fear that they would be reprimanded.

Often poor quality was passed on to someone else, in order to make it someone else's problem. The new concept of quality, TQM, provides incentives for employees to identify quality problems. Employees are rewarded for uncovering quality problems, not punished. Workers are empowered to make decisions relative to quality in the production process. They are considered a vital element of the effort to achieve high quality. Their contributions are highly valued, and their suggestions are implemented. In order to perform this function, employees are given continual and extensive training in quality measurement tools.

Competition in Supermarket Industry: Strategies to make Operations More Effective: 10. 1) Employee Involvement: Generally for any company to improve the customer satisfaction they generally start by considering more things that they can do for their customers. A smart company would first emphasize at how they treat their employees. Over the years it has been proven that satisfied employees produce satisfied customers. The development of staff might be expected to increase both profitability and the retention of contented high-performing service agents using a combination of technology and service staff in their ustomer-service processes. At an early stage, managers should carefully consider an appropriate balance between the two. For the achievement of excellent service quality it is very important to understand the interrelationship between various service

quality attributes and their dimensions. IGA should put more effort to understand their customer well through relationships concepts such as length, nature and quality of customer's experience with service organizations especially in the context of highly competitive market.

A very crucial factor to IGA is to understand how services can be used to differentiate and enhance business-to-business relationships. 10. 2) Ensure service leadership: Good intentions in developing a quality service strategy will be lost if the fundamentals of an effective service organization are not present. It is recognized that there is no single generic service culture that is always successful, but all effective cultures place a strong emphasis on the crucial and developing roles of customer-service staff.

Attributes that contribute to service leadership include: professionalism within customer service, builds trust through dependability, respect, empathy, and diplomacy; inclusiveness in service processes encourages co-operative teamwork and mutual support and understanding; communication allows expression for the individual and empowerment in the employees; knowledge is shared at all levels and learning encouraged; and Technology is incorporated confidently and appropriately into the service processes.

These attributes should ensure that the service organization is responsive, proactive, adaptable to customer needs, and opportunistic (Colin Armistead, Julia Kiely, 2003). Employees look for clarity of direction, simple messages and consistent behavior. Team performance is managed to consistently meet the organization's quality and delivery standards. Leadership, supervision,

coaching and mentoring assist colleagues to overcome difficulty in meeting customer service standards. 10. 3) Excellent Customer service:

Service quality research, have reported that excellent service is a profitable strategy because it results in attracting more new customers, more business with existing customers, fewer lost customers, more insulation from price competition, and fewer mistakes requiring the re-performance of services. In today's competitive environment the pursuit of service quality is now considered an essential strategy. Competitive advantage results either from neither implementing a value-creating strategy nor simultaneously being implemented by any current or potential competitors or through superior execution of the same strategy as competitors. 0. 4) Reward System: IGA can improve its branch personal performance through creating incentives and reward systems. These will enable employees to find new opportunities within an organization. If possible IGA can also implement the strategy which include employee involving in company decision-making processes. Lack of motivation, rewards and incentives sometimes result in performance declination among employees. This may be one of the reasons for decrease in performance declination at IGA. There should be a balance in Compensation costs at a level that both ensure organizational competitiveness.

Employees should be rewarded for their knowledge, skills, abilities and performance accomplishments. Some other strategies also include empowering employees by giving them the opportunity to work on diverse, limited-term assignments, rather than in one department or function. 10. 5)

Performance measurement strategies: As a branch of IGA is suffering from the problem of employee performance declination, empowerment would be an appropriate strategy to overcome it. Empowerment can increase employee's performance levels.

This is explained in terms of allowing employees greater freedom, autonomy and self-control over their work, and responsibility for decision-making. Empowerment takes a variety of forms and managers frequently have different intentions and organizations differ in the degree of discretion with which they can empower employees and its popularity has been driven by the need to respond quickly to customer needs, to develop cross-functional links to take advantage of opportunities that are too local or too fleeting to be determined centrally.

Successful empowerment will require feedback on performance from a variety of sources, rewards with some group component, an environment tolerant to mistakes and a widely distributed information system. 10. 6) Customer satisfaction and loyalty: As in any retail environment, customer loyalty is paramount. Customer needs must replace operational challenges (Retail Week, 2003). Financial performance of supermarket industries relies on the generation high levels of customer satisfaction and loyalty. At IGA customer satisfaction is a critical performance indicator along with measures of unit productivity and administrative effectiveness.

Employees has an attitude dimension which is highly related to measures of customer satisfaction was personal responsibility, which included such items as " Commitment to helping my business unit succeed" and " I protect the

company's property and business information as if it were my own". Another dimension is effective communication. which included items such as " my work group is told about upcoming changes in time to prepare for them" and " I get enough information about how well my work group is meeting its goals" (Dennis J. Adsit, Manuel London, Steven Crom, Dana Jones, 1996).

Conclusion: Supermarkets like IGA must enhance their quality to remain competitive in an increasingly aggressive and global industry. It is established empirically that customers overall cognitive or effective evaluation is based basically on the service quality, but the customers perception of the performance of the service quality encountered is compared with some cognitive or affective standards like a person's expected quality, perceived quality or value quality. This study brings out the service quality framework and best strategies that are used to increase the performance of employees and IGA operations.

The customer service will be improved purely based on mentioned strategies as they are proved by researchers that they are the best. Quality service can be achieved through broader conception of the satisfaction process. Thus, finally it can be concluded that employee performance, quality service and customer satisfaction are inter related to each other. If any one of this factor decline simultaneously it will affect the other two. References: Bellenger, D. N. , Steinberg, E. , and Stanton, W. W. (1976), The congruence of store image and self image.

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