Evaluating Service Quality in the Post-Acquisition Era: A study of select Ecommerce Companies in India

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Abstract

"Service quality" is one of the crucial and influential factors in deciding whether a strategic collaboration in Ecommerce industry increases or decreases its desired benefits in the post-merger and acquisition period. Service quality directly influences buyers' satisfaction, their loyalty, and helps merged or acquiring company to achieve its corporate goals. Ongoing customer research is necessary to determine purchasing habits and upcoming trends. Moreover, the positive or negative impact of mergers specifically in volatile sectors such as e-commerce is an under researched topic till now. This study is founded on primary data collected from online consumers. The questionnaire contained 22 statements derived from "SERVQUAL model", suggested by A. Parasuraman, Valarie A. Zeithaml, and Leonard L. Berry. Evaluating service quality, customer expectations were contrasted with their actual perceptions of the service delivered in five critical dimensions defined in the model. The e-commerce industry is expanding fast in India and is likely to experience continuous enhancements in service quality, driven by growing investments in technological aspects and logistics infrastructure. In spite of continued challenges, the industry is committed to offering a more reliable and customer-centric experience.

Keywords: Volatile Business Environment, Post-Acquisition performance, Indian E-commerce sector, Customer service in online platforms, Service quality dimensions, Customer Expectations vs Perceptions.

1. Introduction

1.1 Background

Mergers and acquisitions (M&As) have emerged as a common strategic practice among e-commerce companies to drive growth, enhance market share and gain competitive strengths.

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The e-commerce industry is growing fast in India due to reasons like widespread smartphone adoption, improved digital infrastructures, supportive government policies, cheaper internet cost, changes in consumer behaviour prompted by the COVID-19 pandemic. Though frequency of M&As increases, their direct impact on service quality of e-commerce industry and customer satisfaction is under researched.

Swiggy, a popular food and delivery platform in India has made total five acquisitions till now including LYNK logistics in August 2023, Dineout in June 2022, and Kint in March 2019. Zomato, a prominent restaurant aggregator has increased its geographical territory through fifteen acquisitions such as such as Blinkit in July 2022, Gatoes in April 2022, and Fitso in February 2021. MakeMyTrip, a well-known online travel service platform has executed nine strategic acquisitions like Savaari in November 2023, Quest2Travel in May 2019, and Ibibo Group in November 2016. Byju's the leading player in educational technology has acquired Hello English in April 2022, GeoGebra in January 2021, and Tynker in October 2021 and expanded its capabilities with total nineteen acquisitions. Similarly, BigBasket, an online grocery store with has strengthen its offerings with five total acquisitions such as Agrima in February 2022, Daily Ninja in March 2020, and Kwik24 in October 2018.

Acquiring smaller or regional competitors aids companies to expand its market and customer's base. Zomato's acquisition of Blinkit helped the company to enter into quick commerce business. Indian e-commerce companies gain access to newer technologies and innovations from the acquired companies, like BigBasket's acquisition of Agrima has helped to improve its AI-powered checkout solutions. Acquisitions enable diversification of services beyond their core original business. Swiggy's acquisition of Dineout enabled it to enter into the restaurant reservation services complementing its food delivery business. Acquiring LYNK by Swiggy is an instance of optimization of supply chains, delivery cost reduction and improvement of lastmile connectivity during post-acquisition period. Online travel companies acquire competitors to dominate their leadership in the market as seen in MakeMyTrip's acquisition of Ibibo. Acquisitions provides new revenue opportunities by complementing complementary services, like Byju's acquisitions of GeoGebra and Tynker, diversified digital learning offerings and attracted a wider student base.

1.2 Service Quality Scenario in Post-acquisition Period

After acquisition, combined corporations usually improve their service quality to reach the customers' expectations by faster delivery, less loading time, with personalized suggestions trusted information, secured transactions and customer care & support. But strategic collaboration of two e-commerce companies with different operational models result in inefficiencies, leading to delays in delivery resulting negative impression on customer satisfaction.

Service disruptions in initial stage of integration due to logistical adjustments is one of the common problems faced by combined companies. During post-acquisition period, customer care teams often receive increased volumes of queries and complaints due to increased volume of customers and changes in policy or platforms. This may cause delayed response, unresolved complaints, and customers' dissatisfaction. If the platforms of two companies are integrated without proper testing, it may lead to problems like payment failures, app crashes, and poor user experience issues. Workforce reductions with understaffed teams after acquisitions, may result in decreased employee morale and reduced motivation and poor service quality. Cost-cutting measures, significant changes in pricing and policies negatively impact service quality causing dissatisfactions among customers and loss of trust. In this scenario, the study involves research on evaluating of service quality of selected Indian e-commerce companies that have undergone strategic acquisitions in recent times.

2. Review of Literature

Due to globalization and technological advancements, the e-commerce industry has seen significant growth accompanied by heightened competition [1]. The COVID-19 pandemic has significantly impacted traditional businesses worldwide and posed various challenges to the e-commerce sector. It has accelerated the transformation of conventional business practices, largely due to social lockdowns that restricted in-person transactions [2].

In today's world, business leaders primarily focus on growth opportunities that can elevate their organizations to new levels. This growth is driven by various factors such as technological advancements, digital transformation, innovation, and mergers and acquisitions [3]. Mergers and acquisitions are a form of corporate restructuring that establish a new or expanded entity, aiming for wide growth and enhanced value. Generally, management justifies these activities to improve efficiency, cost reduction, and thereby maximising shareholder value [4]. Although strategic actions like mergers and acquisitions can strengthen financial stability, they often negatively impact service quality, customers satisfaction and other aspects like accessibility, trust etc. [5]. Since customer satisfaction and customers' positive feedback are crucial to the success of the business, good customer service is essential. However, the impact of M&A on customers is often argued.

It is also challenging to measure the impact due to direct influence of external factors such as global competition and technological advancements [6]. It is absolutely essential to evaluate customer satisfaction because it serves as a precursor to customer loyalty, one of the key elements for achieving long-term profitability. This is particularly important for e-commerce businesses, where building a loyal customer base can be especially challenging [7]. An e-commerce system should meet all societal requirements to enhance the overall quality of its services and also to boost customer experience in online shopping. It will affect sale of e-commerce industry in long run. Assessing the level of satisfaction is essential to understand the influence of service quality on customer satisfaction [8]. Identifying issues and solving the problems in service can help the ecommerce companies to deliver high quality of service.

Furthermore, service quality is evaluated by examining the discrepancy between customer expectations and the actual service received. There is a clear and positive correlation between service quality and user satisfaction [9]. Continuous improvement in service delivery as a strategic approach is important to maintain long-term customer relationships and sustain competitive advantage. [10]. Although numerous e-commerce platforms are enhancing their service quality, there is limited understanding of how these e-services influence customer engagement behaviour [11].

“SERVQUAL is a multidimensional research tool designed to assess nature of service by considering respondent’s expectations and perceptions across five important dimensions of service quality” [12]. Assessing service quality is a complex, intangible, and multi-dimensional task. It helps establish how various service quality dimensions correspond to the features that customers consider important [13]. Rubab Ashiq and Asad Hussain emphasize in their study that reliability is a key factor, has significant impact on customers of online platforms. Their study also acknowledges the crucial role of security and responsiveness in sustaining e-loyalty [14]. E-commerce in India is set to expand in terms of both revenue and geographical coverage. However, building and maintaining consumer trust remains a significant challenge, highlighting the need for additional research to address the related issues and concerns [15].

3. Objectives

Since this research was carried out using primary data gathered from online platform customers, data were thoroughly evaluated, reliability and validity of same were checked. The study identified gap, which represented difference between customer’s perception after receiving the service and expectation before receiving service rendered by selected companies in India that have adopted acquisitions. The study also examined if the gaps in different dimensions of service quality are significant statistically or not.

4. Research Methodology

The study is descriptive & quantitative approach and the primary data were gathered from buyers of different digital platforms. The study was undertaken between the month of September to December, 2024. The study employed a convenience sampling method to collect data from users of five selected e-commerce platforms: Zomato, Swiggy, Flipkart, MakeMyTrip, and Byju’s. Selection of respondents was based on accessibility and willingness to participate. Participants were approached from various social groups including college students, working professionals, friends, and family members who had experience using one or more of the selected platforms. For data collection, a structured questionnaire was prepared following the model called SERVQUAL, framed by Parasuraman, Zeithaml, and Berry. The questionnaire contained two sections, first of which represented respondents' demographic information. The second section measures service quality and its dimensions like tangibility, responsiveness, reliability, empathy, assurance using 22 statements. 307 respondents participated in the study and they used five point Likert scale. The range starts with strongly disagree and ends with strongly agree. Every respondent rated the 22 statements twice to express their opinion regarding expectations of e-commerce service and perceptions of ecommerce service.

A statistical measure Cronbach's Alpha ensured reliability of data and it tested how a group of items are closely related within a questionnaire. “Confirmatory Factor Analysis” (CFA) was performed using statistical software “AMOS” to test reliability and validity of constructs.

Servqual gap score being the difference between customers' expectation and customers' perception, was measured for each respondent and for all five servqual dimensions. Positive gap score implies that service quality exceeds customers' expectation and negative gap score signifies service quality falls short of customers' expectation.

The paired t test, inferential statistical method was used using statistical software SPSS to check whether the calculated gap scores of all five service quality dimensions are statistically significant. Following hypothesis can be formulated for the purpose.

Null Hypothesis (H_0): No significant difference is found between expectations and perceptions of same customers of selected e-commerce companies.

Alternative Hypothesis(H_1): Significant difference exits between expectations and perceptions of same customers of selected e-commerce companies.

5. Results

Demographic characteristics in Table 1 indicate that the sample has almost an equal ratio of both the genders. Most respondents belong to the age group (18-30years), implying that the survey mostly demonstrates the choice of younger consumers. Majority of respondents are frequent online shoppers as they buy online items once a month. The sample mainly use online channels like Zomato, Big Basket, Swiggy (Food & Grocery) and Make-my trip (Online travel). The demographic characteristics are showed in Table 1.

Cronbach's Alpha score is 0.959 signifying a good internal consistency and reliability for questionnaire. A score closer to 1 implies that the items are highly correlated and effectively measure the same underlying concept [16].

In confirmatory factor analysis (CFA) five constructs "reliability, responsiveness, assurance, empathy, and tangibility" are assessed with specific 22 variables. As depicted in "CFA model" Figure 1, factor loadings like RP1 and RP2 are in the range from moderate to high. Convergent validity which is generally established when most indicators strongly represent their constructs. Factor loadings are significant on respective constructs. Various model fit indices are calculated using statistical software "AMOS" to evaluate model fit. These include "Goodness of Fit Index (GFI), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA), Tucker-Lewis Index (TLI), Normed Fit Index (NFI), and minimum discrepancy of CFA analysis divided by degrees of freedom (CMIN/DF)" [17].

Threshold values are used as reference points to determine model fit [17] . The calculated values are shown in Table 4. These values lie within the acceptable range, representing an appropriate model fit. While a threshold of 0.90 or higher is generally recommended for acceptance, values close to 0.9, i.e. 0.85 can be deemed acceptable [18] . The GFI value is falling within the expected range, and it indicates a better model fit. Additionally, the RMSEA value also lies in accepted threshold between 0.05 to 0.08, this further supports the model's acceptable fit.

All items in all five dimensions showed negative gap score which implies mean score of expectations are more than perceptions. The highest negative gap (-0.2109), between customers' perception and expectation is reflected in the dimension of tangibility, which referred the physical aspects of the e-commerce websites. However, responsiveness has the lowest negative gap (-0.1213), implying that the least problematic dimension of ecommerce service quality but still below expectations. Table 2 provided calculated gap score of specific items under each dimension. Service quality dimensions exhibited a significant difference between customer expectations and perceptions ($p < 0.05$) for all dimensions, shown in Table 3. Hence, null hypothesis cannot be accepted for all five dimensions. The dissatisfaction of customers is largest in tangibility (-6.238) and smallest in responsiveness (-2.819).

Table:1 Demographic Characteristics

Characteristics	No (%)
Gender	
Male	147 (47.88)
Female	160 (52.12)
Age	
Between 18-30 years	227(73.94)
Between 31-60 years	80 (26.05)
Frequency of online purchase	
Daily	60(19.7)
Weekly	78(25.6)
Monthly	87(28.5)
Occasionally	82(26.2)
Platform used	
Swiggy, Zomato, Big Basket (Food & grocery)	246 (79.6)
Make my Trip (Travel)	76(24.6)
Nykaa (cosmetics & beauty)	109(35.3)

Table 2: Dimensions and Items of E-commerce Service Quality

Dimensions	Items	Gap Score
Reliability	Reputed online companies deliver products or services as promised.	-0.2769
	Reputed online companies offer accurate and trustworthy information about their products and services.	-0.159609
	Reputed online companies ensure secure handling of customer payment transactions.	-0.302932
	Reputed online companies adhere to the promised delivery schedule.	-0.123779
	Reputed online companies are reliable in resolving customer issues.	-0.123779
Average Gap Score (Reliability)		-0.19544
Responsiveness	Reputed online companies respond quickly to customer queries and concerns.	-0.107492
	Reputed online companies are always available to assist customers.	-0.081433
	Reputed online companies pay proper attention to customer problems.	-0.136808
	Well-known online companies clearly communicate to customers the exact timing of service delivery.	0.159609

Average Gap Score (Responsiveness)		-0.12134
Assurance	Renowned online companies ensure that customers feel secure while carrying out online transactions.	0.296417
	Reputed online companies provide essential details like warranties and guarantees.	-0.114007
	Customer service staff at reputed online companies are knowledgeable and capable of handling inquiries.	-0.120521
	Reputed online companies have clear and fair return/refund policies.	0.19544
Average Gap Score (Assurance)		-0.1816
Empathy	Reputed online companies offer personalized suggestions.	0.315961
	Reputed online companies prioritize customer interests and make them feel valued.	-0.169381
	Reputed online companies clearly communicate their terms and conditions.	-0.140065
	Reputed online companies express regret for any inconvenience caused.	-0.166124
	Customer support should be available at convenient hours.	-0.127036

Average Gap Score (Empathy)		-0.18371
Tangibility	Reputed online companies offer modern and updated mobile applications.	-0.234528
	Reputed online companies have visually attractive websites.	-0.201954
	Reputed online companies clearly present promotional offers.	-0.188925
	Reputed online companies feature a well-designed user interface for an optimal digital experience.	-0.218241
Average Gap Score (Tangibility)		-0.21091

Source: Authors,[19]

Table 3: Result of Paired Sample t-test: Comparison of customers' expectation & perception regarding e-commerce service quality

Dimensions	Standard-Deviation	Standard-error mean	95% confidence interval of difference (lower & upper)	t-value	p-value
Reliability	0.73519	.04196	(-0.27801, -0.11287)	-4.658	0.000
Responsiveness	0.75417	0.04304	(-0.20603, -0.03664)	-2.819	0.005
Assurance	0.70639	0.04032	(-0.26093, -0.10227)	-4.504	0.000
Empathy	0.63111	0.03602	(-0.25459, -0.11284)	-5.100	0.000
Tangibility	0.59245	0.03381	(-0.27745, -0.14438)	-6.238	0.000

Source: Authors (using "SPSS")

Table 4: CFA Analysis

Variable	GFI	CFI	RMSEA	NFI	TLI	CMIN/DF
Measurement Model	0.848	0.898	0.079	0.854	0.882	2.920

Source: Authors,[19]

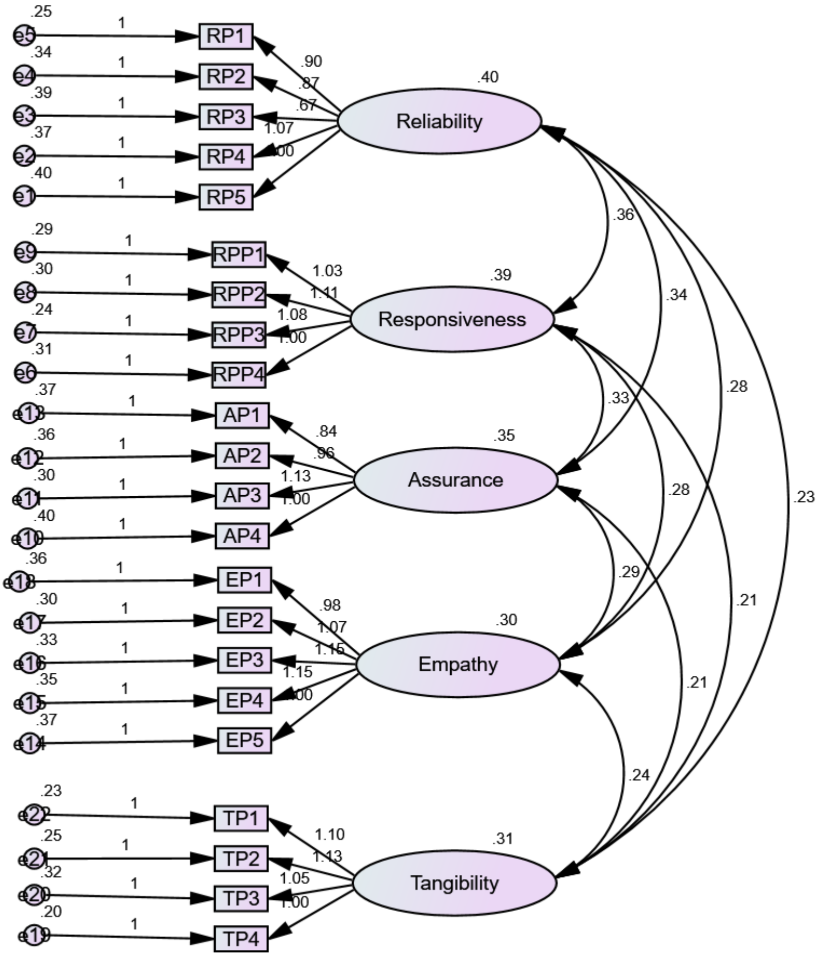

Figure 1 CFA Model

Source: Authors, [19]

6. Discussion

Both the SERVQUAL gap score and results of paired t-test indicate that the greatest service quality gap exists in the dimension of tangibility. In tangibility dimension, the standard deviation (0.59245) and standard error (0.03381) indicate the variability and precision of differences between expectations and perceptions scores. The upper and lower confidence interval are negative, validating that differences are significant statistically. The high t-value (-6.238) reflects a significant deviation from zero suggesting a meaningful and a significant effect. The calculated p-value (0.000) is significantly lower compare to the standard ($p <= 0.05$). It demonstrates that observed difference is highly statistically significant. The most significant gap in tangibility indicates that customers' expectation was not fulfilled. The physical features like design of website, user-friendly navigation, visual attractiveness, and functionality of online platforms need attention for improvement. A poorly designed or unresponsive website, website having low-quality product images, or has slow loading times, could be key factors driving this notable gap.

Servqual gap score and result of paired t test, both indicates that the smallest gap in service quality of E-commerce sector is found in responsiveness dimension. It is negative but has least gap among all dimensions, which implies customers feel that response time is slow in online platforms but this factor carries the lowest dissatisfaction rate. Responsiveness evaluates how promptly and sincerely the service provider assists customers, including prompt responses to inquiries, fast solution to problems faced, efficient and timely communication. Least gap signifies customers are comparatively more pleased with responsiveness of e-commerce service relative to other facets of online service quality. Quick customer support responses (e.g., live chat, email, or phone) make customer satisfied. Efficient management of tasks like processing order cancellations, refunds, or answering product-related questions ensures prompt communication during the purchasing process.

Empathy is the dimension of service quality which shows a large gap after tangibility. Empathy follows with a high and significant gap ($t= -5.100$, $p= 0.000$), indicates that customers perceive a shortage of personalized service, attention, care or emotional engagement with the online platform. The other two dimensions reliability and assurance have moderate and significant gap; signifying customers perceive e-commerce services less reliable than expected and customers feel a lesser confidence or trust in the service compare to their expectation.

7. Conclusion

As the e-commerce companies undergo strategic collaboration, customer generally expect an improvement in service quality in this sector. After merger and acquisition resources, technology, and operational efficiency are expected to be enhanced. However, the actual experience and perception of the regular ecommerce customer are reflected in this study. The research reveals that overall service quality of e-commerce sector to be worse than expectation of customers. A negative gap score indicates dissatisfaction of users of online platforms. If e-commerce companies focus on delivering goods & services as promised and providing accurate & reliable information, it will improve reliability of service quality. Another essential aspect is training of personnels working as a customer service teams to address inquiries and concerns promptly and effectively. It will help to enhance responsiveness of the service quality and meet customers' expectation. To provide more detailed and elaborated information about guarantees and warranties of the products to the online customers, the knowledge and patience of customer care representatives should be enhanced. It will help to build trust and strengthen assurance of service quality. To increase empathy, focus on personalized customer interactions and problem solving are absolutely necessary.

During the post-acquisition period e-commerce firms should improve online service quality and guarantee that e-commerce service quality meets or surpasses customer expectations, only then benefits of merger & acquisition will be achieved. Customers should be informed clearly about upgrades and any possible disruptions due to merger and acquisition. The companies can achieve customer's satisfaction during post- acquisition period ensuring smooth and uninterrupted features of website and app experience throughout the integration process. Customer care support is to be prioritised and given importance. Customers' feedback is to be monitored regularly and continuously. Prompt reply to customers' issues is another key area of considerations. The Internet & digital market in India is expanding and is expecting to experience noticeable developments in quality of service, particularly with increased investments in technology and logistics. In spite of several issues, the industry is dedicated to offering a more dependable and consumer centric experience.

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Disclosure of Interest

The authors state that they have no competing interests related to this article.

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