



Quality in service, a potential foundation of competitiveness in the informal market of shoes*

Calidad en el servicio, un fundamento potenciador de la competitividad en el mercado informal de calzado

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ABSTRACT

The production and sale within the informal footwear market is one of the main economic and labor activities carried out in the city of Ambato, where it constitutes an economic refuge for those who are unemployed. The main objective of this research was to analyze the current situation in which the informal footwear market is based on the dimensions of quality in the service and the degree of satisfaction of the needs of consumers through a field study, applying a survey based on the dimensions of SERVQUAL model. The methodology used was a qualitative-quantitative analysis of the five dimensions of the SERVQUAL: reliability, sensitivity, security, empathy and tangible elements; the research instrument was a survey applied to 103 clients. The analysis of reliability and internal consistency of the instrument by means of Cronbach's Alpha present a value of 0.801; also, by the Spearman's correlation analysis, the strong relationship of the variables was evidenced: sensitivity and reliability (0.815); sensitivity and security (0.815) and security with empathy (0.768); which show what is being done correctly in relation to customer service. The other dimensions, that did not show a significant correlation, should improve customer service in order to create competitive advantages.

Key Words: Service quality, footwear, competitiveness, informal market.

RESUMEN

La producción y venta dentro del mercado informal de calzado es una de las principales actividades económicas y laborales que se realizan en la ciudad de Ambato, en donde se constituye en un refugio económico para aquellas personas que se encuentran desempleadas. El objetivo principal de esta investigación fue analizar la situación en la que se encuentra el mercado informal de calzado sobre las dimensiones de la calidad en el servicio y el grado de satisfacción de las necesidades de los

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consumidores a través de un estudio de campo, aplicando una encuesta con base en las dimensiones del modelo SERVQUAL. La metodología empleada es un análisis cualitativo y cuantitativo sobre las cinco dimensiones del SERVQUAL: fiabilidad, sensibilidad, seguridad, empatía y elementos tangibles; el instrumento de investigación fue una encuesta aplicada a 103 clientes. El análisis de fiabilidad y consistencia interna del instrumento por medio del Alfa de Cronbach presenta un valor de 0,801; además, mediante el análisis de correlación de Spearman, se muestra la relación fuerte de las variables: sensibilidad y fiabilidad (0,815); sensibilidad y seguridad (0,815) y seguridad con empatía (0,768); las cuales evidencian lo que se está realizando de forma correcta con relación a la atención al cliente. Las demás dimensiones, que no mostraron tener una correlación significativa, deben mejorar el servicio en la atención al cliente con el fin de crear ventajas competitivas.

Palabras clave: calidad en el servicio, calzado, competitividad, mercado informal.

Introduction

The quality of customer service is undoubtedly one of the main differentials that increase the competitiveness of a company, by focusing the management of a company in the search for continuous customer satisfaction. Customer service is considered a service, if the value chain is taken into account, the sales and post-sale services are included in the primary activities because it constitutes one of the essential functions for the development and survival of any company, independent its structure or type of organization is, especially taking into account that currently customers are more demanding and selective.

Under these perspectives, attracting customers can be a difficult process because they have a wide variety of options, prices, brands and suppliers. Therefore, the quality of customer service allows companies to increase the value of their image to attract and retain customers, allowing them to distinguish themselves from competitor companies.

This research deals with service quality as a foundation that enhances competitiveness in the informal footwear market, although the informal market develops within the popular economy (Gago, Cielo & Gachet, 2018), defined as the type of economy that relates to the set of productive activities developed by popular sectors, where self-employment prevails (Restrepo, 2009). According to the methodology used by the National Institute of Statistics and Census (INEC, for its acronym in Spanish), companies that operate within the informal economy are considered to be those that do not have the Unique Taxpayers Registry (RUC, for its acronym in Spanish).

In this way, it is explained that the population considered in the investigation corresponds to informally sellers and manufactures of footwear, that is, they do not have RUC; therefore, they do not issue invoices or make tax returns, taking into account that the sales sector of footwear generally in the city of Ambato is developed in two scenarios: small footwear manufacturers sell directly in small markets at affordable prices or there are intermediaries who buy directly from shoe factories to sell them in fairs, markets and surroundings of places trafficked with a low profitability margin.



It should be noted that the main places where the sale of footwear takes place are: surroundings of the Wholesale Market of the city Ambato, footwear market Juan Cajas and surroundings of the parks of the city center.

The growth of informal trade is evident not only in the city of Ambato, but as a phenomenon that has become widespread throughout Ecuador, according to figures from INEC (2019) in March 2019, 46.7 % of Ecuadorians who they have employment they do it in the informal sector; in addition in the national level there was an unemployment rate of 4.6 %, being in the canton Ambato with 5.4 % the highest compared to other cities such as Quito, Guayaquil, Cuenca and Machala.

Given this problem, the quickest solution that unemployed people find is to take refuge in informal commerce economically, which in academic literature is often found to be relieved against other economic activities; however Quejada, Yáñez and Cano (2014) highlight that informality generates an immediate alternative source of income in response to the lack of opportunities for people to obtain employment in the formal sector, due to multiple factors such as the economic and political crisis.

Therefore, it is important considering that sales as the main economic activity and source of income be carried out efficiently related to the quality of customer service, to become a pillar in the generation of competitiveness of the sector, with guidance that informal traders can grow and move to formal or structured economic.

Material and Methods

The present study is descriptive in which an investigative analysis is carried out on the variables that make up the quality of service and competitiveness, considering the context in which the informal footwear market is developed for which it was located within the economy unstructured. The approach is qualitative-quantitative, which is why the use of descriptive variables related to the literary review and in the explanation of the results obtained and ordinal variables for which the Likert scale was used to determine the predominant factors in the customer service satisfaction in the footwear sale sector.

The design is transversal because it has a single sample and a single implementation, considering the population of all footwear users in the city of Ambato and as a sample, a selection was selected for convenience, consisting of 103 buyers who were surveyed on the perception of the service received. The research instrument was a questionnaire based on the five dimensions of the SERVQUAL model: reliability, sensitivity, security, empathy and tangible elements. Reliability and internal consistency of the instrument were analyzed by Cronbach's Alpha, a non-parametric evaluation was performed by correlation analysis by the Spearman method to identify the dimensions that have a strong correlation.

Results

Entrepreneurs who carry out footwear sales operations and who have not registered in the Single Taxpayers Registry before the main tax agency of Ecuador, the Internal Revenue Service or also known



as IRS, belong to the informal economy. According to the International Labor Organization, more than half of the world's workforce is employed in the informal economy, and 90 % of MSMEs operate in the informal economy.

The informal economy is a complex phenomenon that can be seen from two totally different scenarios, the negative one where it should be noted that entrepreneurs and workers acting in this type of economy are located outside the social security system, by not contributing or benefiting of the services offered by being affiliated with social security (Samaniego, 2008).

Work in the informal economy should also be considered as precarious, because people work in an insecure environment, exposed to excessive noise, vehicle smog, violence, among other negative factors (Gómez, 2007). This is caused because generally in Latin America informal work takes place on the sidewalks, parks and surroundings of frequented places, where entrepreneurs establish their points of sale impromptu.

Child labor is more frequent in the informal economy, according to the ILO children are more likely to work in this type of economy due to the lack of government controls; partly caused by the obligation of their parents, who by economic constraints resort to working with their children in this type of economy.

According to Samaniego (2008) by increasing the informal economy, reduces the collection of taxes so that governments are forced to increase taxes for companies and workers who do contribute to their tax obligations.

The favorable aspects of the informal economy focus on the explanation of this type of economy as an option and response to unemployment, the workers decide according to the economic situation of the country, the market structure and the possibilities established in the informal market (Gómez & Borraez, 2005). Because it is easier and faster to establish a venture in the informal economy, for which no legal authorization is required, this factor, added to the limited opportunities that people have to find a stable job within the formal economy and the economic crisis becomes the main factor of the informal economy.

The informal economy in Ecuador is a phenomenon that has taken on greater relevance in the last decade, partly caused by the increase in people employed within this type of economy. Compared to the previous year, specifically in March 2018, the informal sector employed 45.0 % of the total number of people, by March 2019 was 46.7 % in Ecuador, evidencing an increase of 1.7 percentage points.

Considering the Economically Active Population (PEA) in Ecuador, that is to say all the people from the age of 15 who have worked and are currently employed or unemployed; by March 2019 the PEA in Ecuador was composed of 8,162,787 inhabitants, of which 3,812,021 people are employed in the informal economy (INEC, 2019).

The informal economy in Ecuador can be summed up in the lack of opportunities, the economic crisis, the ease of establishing a venture within this economy, work and income generation immediately and the lack of controls and policies that strengthen the formal entrepreneurship.



According to Olmedo (2018) informality is one of the main problems facing the Ecuadorian labor market, due to the lack of opportunities to access the formal labor market. For example, one of the perceptions of young people establishes that in Ecuador there is a labor market that is not adapted by the different contexts, aspirations and needs of today.

The informal market characterization is made up of individual enterprises where the business owner is his own boss and employee, also uses his home as a company and adapts it according to his needs in order to take advantage of all his resources.

The great part of these ventures adapted by individuals who have not been able to obtain a place within the formal paid market in accordance with the provisions of the law, have achieved an average existence of 6 years, indicating that the informal market is not temporary, but that from this it becomes a structured segment of the economy of the country (Olmedo, 2018).

According to data taken from the Ecuadorian Institute of Statistics and Censuses (INEC) in December 2018, underemployment reached 11.6 %, giving the city of Ambato the third place nationwide with the largest number of people dedicated to the informal activity.

From the ethical perspective according to Mancheno (2016) the legal aspect must be considered, in which informal entrepreneurs do not comply with the appropriate fiscal legislation and regulation, although they do so out of necessity, it is ideal that when the entrepreneurs have reached considerable growth and development, move from the informal economy to the formal economy, through registration in the RUC and compliance with fiscal obligations.

Main factors that affect service quality

The concept of customer service, according to Paz (2005) is a decisive factor in the existence of a company; it constitutes those activities related to the delivery of the product or service to the customer, according to the time, price, and amount agreed. Whatever the nature or the field of action of a company, customer service will always be generated either directly or indirectly, therefore, it is important that the client-company relationship is satisfactory in order to improve experiences that the customer has with the customer service provided by an organization.

Although, informal footwear production and sales companies do not have an adequate management structure, it is important that the customer service process is structured in an efficient way, in the sense of generating the greatest satisfaction to the final customer (Castillo et al., 2019).

The services have differentiating characteristics. According to Duque (2008), the services must be differentiated by these characteristics: (i) *intangibility*, customer service is the result of a set of operations that cannot be seen before purchase, since services are not objects, rather they are results; (ii) *heterogeneity*, the results of its provision can be very variable depending on the person in charge of customer service, customers and the context. When using the term quality in customer service, a company must necessarily generate benefit in each process that constitutes customer service. According to Matsumoto (2014) the quality of service is defined as the result of an evaluation process where the consumer compares their expectations against their perceptions.



Currently, the SERVQUAL (Service Quality) model is considered one of the most used models to measure customer service attention. According to Numpaque and Rocha (2016) SERVQUAL is a model for evaluating the quality of the services it contemplates five dimensions: reliability, sensitivity, security, empathy and tangible elements. The instrument that uses this model is through a questionnaire in which the five dimensions are analyzed by means of the Likert scale. This instrument was first validated in Latin America in 1992 by Michelsen Consulting and the Latin American Institute for Quality in Services.

Table 1. SERVQUAL model dimensions

Dimensions	Concept
Reliability	It is the ability to execute the promised service reliably and carefully. It is translated into compliance in relation to your promises about: deliveries, troubleshooting and pricing, etc.
Sensitivity	It is the ability to provide services, help customers quickly, characterized by efficiency in solving problems, personalized attention and courtesy.
Security	It refers to the knowledge of the staff, the greater the knowledge and preparation of the customer service staff, the greater the capacity to inspire trust in the customer.
Empathy	It refers to the level of individualized attention offered by companies to their customers, through personalized service.
Tangible elements	The appearance of the facilities, the presence and presentation of the staff, the equipment used in the organization.

Source: Author's elaboration.

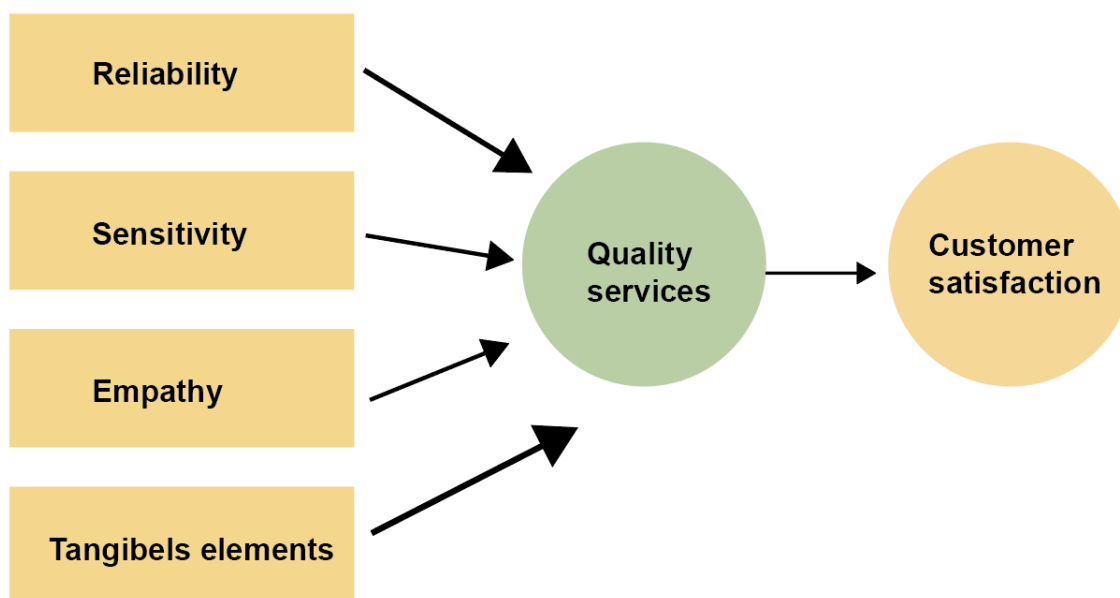


Figure 1. SERVQUAL dimensions. Source: Author's elaboration.

Competitiveness

Competitiveness is the ability to respond efficiently to the demands of a company's interest group (Castillo, 2017). The variables that affect the generation of competitiveness by analyzing from the perspective of the Porter value chain, these focus on primary activities (internal logistics, operations, external logistics, marketing, sales and services) and secondary activities (infrastructure of the company, administration of human resources and technology). According to Vergiú (2013), the links can give rise to a competitive advantage in two ways, either through the optimization and coordination of primary and secondary activities.

Customer service is within the primary activities in the Porter value chain, therefore, it becomes an essential activity for the generation of competitive advantages, if the other activities are interdependent and are efficiently related through links of the chain.

Although the concept of competitiveness and ways of creating added value that stimulates business competitiveness are very broad concepts, it should be noted that in the same way in the informal market there is competitiveness, essentially the growing number of enterprises that have opted for trade is highlighted informal in the city of Ambato and is essentially characterized by price competitiveness, rather than differentiation. According to Castillo et al. (2019), the low technological



level, the limited production and sales capacity, the absence of specialization in customer service should be highlighted.

The informal market in Ecuador is clearly underdeveloped, due to its nature, as it does not have a legal and administrative infrastructure that allows planned and organized growth. For this purpose, the present investigation starts from the analysis of the main SERVQUAL dimensions to determine the predominant variables in customer satisfaction, which were selected with the highest correlation so that they are considered by the entrepreneurs that act in the informal market in order to of being able to differentiate and generate competitive advantages.

Reliability analysis

Cronbach's alpha

The results of the reliability analysis applied with the results of the survey, showed a value by means of Cronbach's Alpha of 0.801, which represents an adequate value of internal constancy and reliability of the research instrument established through the survey applied to footwear customers in informal markets in the city of Ambato. According to da Silva et al. (2015), the literature points to a minimum value of 0.70 and the preferred values are between 0.80 and 0.90, which evidences a high internal consistency.

Table 2. Reliability Statistics

Cronbach's Alpha	Ítems
0,801	5

Source: Author's elaboration.

Correlation coefficient

Spearman's correlation coefficient

According to Restrepo (2007), Spearman's correlation coefficient is a non-parametric coefficient that allows measuring the degree of association between two random variables. Two aspects should be considered a level of significance or error less than 0.05 and a correlation coefficient greater than 0.76 considered by Martínez (2009) as a coefficient with a strong association scale. The correlation coefficient of Spearman in the present investigation allowed to determine the level of association of the dimensions considered in the quality of the service, according to the perceptions of the clients, in order to demonstrate which are the dimensions that are handled correctly and which not, in this way entrepreneurs who act in the informal market take corrective measures.

**Table 3.** Correlations through Spearman's RHO

		Reliability	Sensibility	Security	Empathy	Tangible	
Spearman's RHO	Reliability	Correlation	1,000	,815**	,428**	1,000**	,109
		Coefficient					
		Sig. (2-tailed)	.	,000	,000	.	,272
		N	103	103	103	103	103
	Sensibility	Correlation	,815**	1,000	,235*	,815**	,100
		Coefficient					
		Sig. (2-tailed)	,000	.	,017	,000	,316
		N	103	103	103	103	103
	Security	Correlation	,428**	,235*	1,000	,768**	-,009
		Coefficient					
		Sig. (2-tailed)	,000	,017	.	,000	,929
		N	103	103	103	103	103
Empathy	Correlation	1,000**	,815**	,768**	1,000	,109	
	Coefficient						
	Sig. (2-tailed)	.	,000	,000	.	,272	
	N	103	103	103	103	103	
Tangible	Correlation	,109	,100	-,009	,109	1,000	
	Coefficient						
	Sig. (2-tailed)	,272	,316	,929	,272	.	
	N	103	103	103	103	103	

*Correlation is significant at the 0.05 level (2-tailed).

**Correlation is significant at the 0.01 level (2-tailed).

Source: Author's elaboration.

The variables that demonstrated a strong correlation according to customer perception were:

(i) Sensitivity and reliability, the results showed a Spearman RHO of 0.815, which represents a strong association between the two variables, considering the context in the informal market it is interpreted that entrepreneurs show speed when serving the customer, complying with the information of the footwear they sell.

(ii) Sensitivity and empathy also showed a Spearman RHO of 0.815, which is interpreted that entrepreneurs provide service with kindness, answer questions and give a friendly service to customers.



Security and empathy showed a Spearman RHO of 0.768, which indicates that entrepreneurs demonstrate to the customer knowledge about the product they market. Additionally, the type of footwear that the client acquires most frequently was determined.

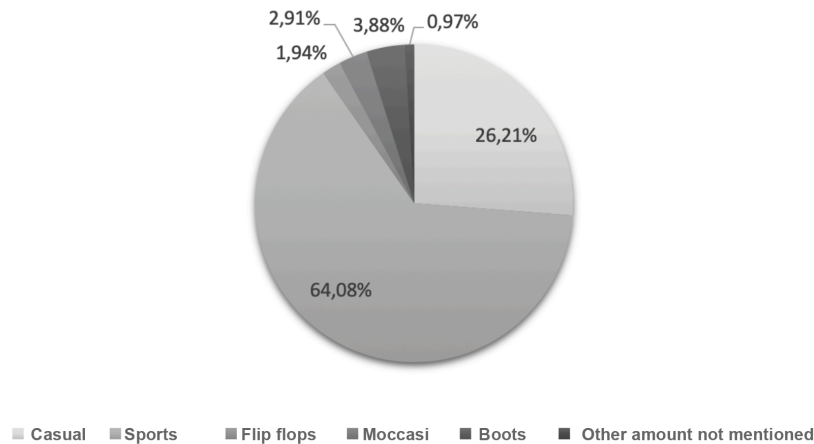


Figure 2. Type of footwear most frequently acquired by customers. Source: Author’s elaboration.

The product that customers mostly buy from the informal market of the city of Ambato is sports shoes, this product covers 64.08 % of the total products offered. While casual footwear with 26.21 % is not considered within a star product, it has a segment that maintains it within the market.

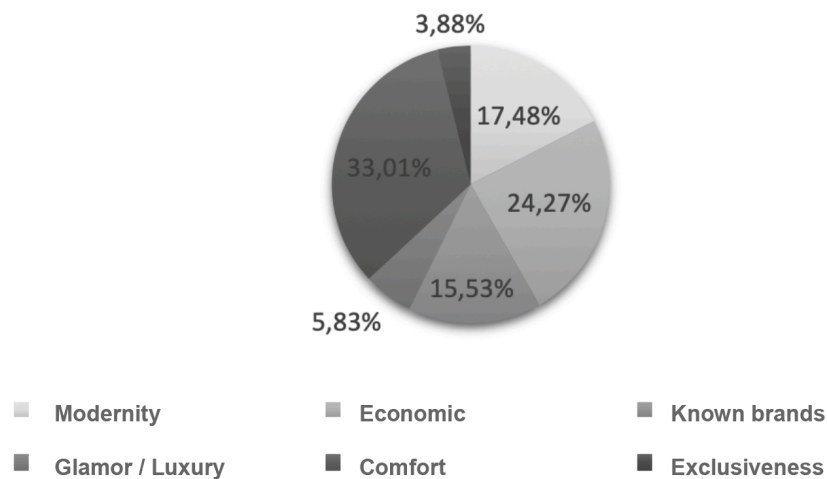


Figure 3. Attributes of the footwear valued by the client. Source: Author’s elaboration.



The most important attributes when buying a shoe with comfort being the most important factor that customers take into account when making their purchase, is represented by 33.01 %. The economic factor is also considered as important when deciding on a purchase with 24.27 % and this goes hand in hand with comfort because between these two factors there is only 8.74 % differentiation, which allows analyzing that customers are looking for the schematization of good, beautiful and cheap; while comfort and known brands are considered as secondary factors with 17.48 % and 15.53 % respectively. Glamor/luxury and exclusivity with extremely low values and not very representative of 5.83 % and 3.88 % indicate that most buyers do not consider these factors although it could be said that they are not even taken into account because the social classes who buy in these places have a medium-low economy.

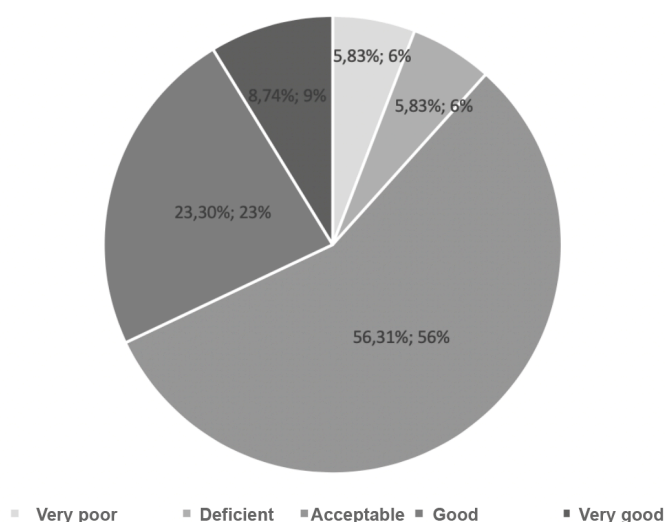


Figure 4. Customer Satisfaction Level. Source: Author's elaboration.

It is observed that the degree of satisfaction of the service provided by the traders of the informal market is acceptable with 56.31 % according to the opinions of the respondents; this shows that in addition to offering shoes the merchants offer service that meets the needs of their customers. The 23.30 % believe that this service is good, which indicates that it is constantly changing and growing. On the other hand, not all customer points of view will be positive; there will always be a counterpart that indicates that the service provided is deficient with the 5.83%, segment in which merchants must focus to change the perspective of these people.

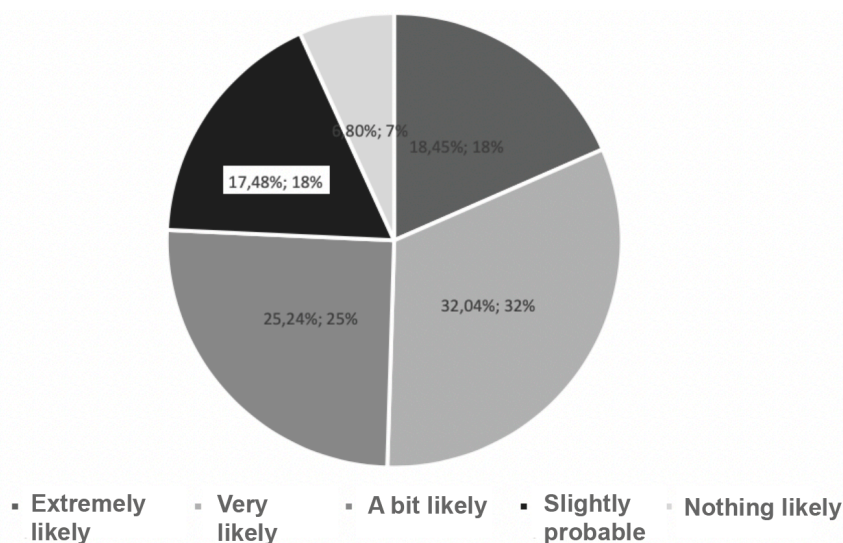


Figure 5. Probability that the customer will buy again. Source: Author's elaboration.

It is very likely that 32.04 % of respondents will buy from informal merchants for various reasons such as attention, product, and service provided. The 25.24% is at the neutral point of the Likert scale used for this question where there is a little chance of buying again in the same place. On the other hand, we found a bias in the information obtained because we have a contradiction because 18.45 % is extremely likely a new purchase, but with an almost equal value, the data indicates that 17.48% has a slight probability of purchase. While 6.80 % indicate that nothing is likely to buy again in the same place perhaps because of a bad experience obtained or because they simply did not like the product, the place or the service provided.

Discussion

Informal commerce has become in the last decade in the sector that employs almost half of Ecuadorians, with 46.7 % of the EAP in March 2019, there is also an unemployment rate of 4.6 %, being in the canton Ambato with 5.4 % the highest compared to other cities such as: Quito, Guayaquil, Cuenca and Machala.

Informal entrepreneurs in Ecuador are considered those entrepreneurs who do not have the Unique Taxpayer Registry to carry out their productive and commercial operations.

The exteriors of the Wholesale Market of the city of Ambato, located on Avenida Bolivariana and El Condor, are accentuated by more than 30 merchants to sell the different models of footwear that range from sports shoes to casual shoes for national and imported origin.

Another of the busiest sectors by informal entrepreneurs is the Railway market located 200 meters from the Terato Terrestrial Terminal of Ambato, in this place there were a total of 110 retailers that have their own economic unit known as producers that offer footwear for major and minor.



Conclusion

The dimensions that demonstrated a strong correlation were: sensitivity and reliability, sensitivity and empathy, for ultimate safety and empathy, these dimensions show what is being done correctly in relation to customer service.

The dimensions that had low correlations and therefore were not considered tangible elements, with the other dimensions; this indicates that in relation to the infrastructure and the space for customer service is not adequate, due to the nature of informal trade, that is to say improvised places where footwear is exhibited.

Through the study, the possibility of going deeper into the subject and proposing new public policies that help this segment of the merchant that do not have a legally structured company is left open, training is recommended so that they can legalize their ventures.

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