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Bachelor of Management



The Impact of Customer Service Quality on Customer Satisfaction in the Saudi Retail Sector

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Graduation Project – 1

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1. Chapter 1: Introduction

1.1. Research Background

The retail sector is one of the largest contributors to economic growth and consumer spending worldwide. As competition continues to increase, retailers are expected to provide not only high-quality products but also excellent service that meets or exceeds customer expectations. Customers today have access to a wide range of shopping options, making service quality a key factor that influences their purchasing decisions and overall experience. Businesses that consistently deliver reliable and responsive service are more likely to retain customers, strengthen their reputation, and achieve long-term success. Consequently, service quality has become a strategic priority for organizations seeking to maintain a competitive advantage in dynamic retail markets.

In Saudi Arabia, the retail industry has experienced rapid growth due to economic diversification initiatives under Vision 2030, technological advancements, and changing consumer preferences. The expansion of shopping malls, supermarkets, specialty retailers, and e-commerce platforms has increased competition among businesses, making customer satisfaction more important than ever. As Saudi consumers become more informed and demanding, retailers must continuously improve the quality of their services to attract and retain customers. This growing emphasis on customer experience has encouraged both researchers and practitioners to examine how different aspects of service quality influence customer satisfaction in the Saudi retail sector.

Service quality refers to customers' overall evaluation of the excellence of a service based on their expectations and actual experiences. One of the most widely accepted frameworks for measuring service quality is the SERVQUAL model developed by Parasuraman, Zeithaml, and Berry (1988). The model identifies five dimensions of service quality: tangibles, reliability, responsiveness, assurance, and empathy. These dimensions have been extensively applied across various industries and countries to evaluate customers' perceptions of service quality and its relationship with customer satisfaction. Numerous studies have confirmed that higher levels of perceived service quality contribute to greater customer satisfaction, which subsequently improves customer retention and organizational performance (Parasuraman et al., 1988).

Recent research continues to support the importance of service quality in influencing customer satisfaction across different sectors. Zygiaris et al. (2022) found that improvements in service quality significantly enhanced customer satisfaction within the Saudi auto care industry, particularly in the post-pandemic environment where customer expectations had changed considerably. Similarly, Alhamdan and Hadi (2024) demonstrated that customer satisfaction plays a crucial role in strengthening the relationship between service quality and customer loyalty, highlighting the importance of maintaining high service standards. Earlier research conducted by Mahfooz (2014) also found a significant positive relationship between service quality and customer satisfaction among customers of Saudi hypermarkets, emphasizing the relevance of service quality within the Kingdom's retail environment. Furthermore, Albinalsheikh (2022) reported that service quality remains a key determinant of customer satisfaction and loyalty in Saudi Arabia's banking sector, suggesting that delivering high-quality service is essential across different service industries.

Despite the extensive body of literature examining service quality and customer satisfaction, many studies have focused on specific industries such as banking, hospitality, healthcare, and automotive services. In contrast, fewer studies provide a broad examination of how service quality influences customer satisfaction across the Saudi retail sector as a whole. In addition, continuous changes in consumer behavior, digital transformation, and increasing customer expectations require ongoing investigation to ensure that previous findings remain relevant in today's business environment. Therefore, further research is needed to better understand the relationship between service quality and customer satisfaction within Saudi retail businesses.

This study aims to examine the impact of service quality on customer satisfaction in the Saudi retail sector. Using the SERVQUAL framework as the theoretical foundation, the study will investigate how customers perceive different dimensions of service quality and how these perceptions influence their overall satisfaction. The findings are expected to contribute to the existing literature while providing practical recommendations for retail organizations seeking to improve customer experiences and strengthen their competitive position in Saudi Arabia.

1.2. Research Problem

Service quality is widely recognized as a key factor that influences customer satisfaction and organizational success. As customer expectations continue to evolve and competition in the Saudi retail sector increases, retailers must understand how the quality of their services affects customer satisfaction. Although previous studies have examined this relationship in different industries and countries, several theoretical and practical issues remain. Therefore, this section presents the theoretical and practical gaps that justify the need for the current study.

1.2.1. Theoretical Gaps

Although numerous studies have confirmed a positive relationship between service quality and customer satisfaction, most have focused on industries such as banking, healthcare, hospitality, and e-commerce. Comparatively fewer studies have examined this relationship within the Saudi retail sector, particularly in light of recent economic reforms and changing consumer expectations. In addition, many existing studies were conducted before the rapid expansion of digital retail services and omnichannel shopping experiences, which have significantly influenced customer perceptions of service quality. Consequently, there is a need for updated research that investigates how service quality affects customer satisfaction in the current Saudi retail environment.

1.2.2. Practical Gaps

The Saudi retail sector is becoming increasingly competitive as businesses strive to attract and retain customers through high-quality services. Although many retailers invest in employee training, customer service programs, and digital technologies, they often lack current evidence regarding which aspects of service quality have the greatest influence on customer satisfaction. As consumer expectations continue to evolve under Saudi Vision 2030 and the rapid growth of the retail industry, businesses need updated research to support effective decision-making. Therefore, this study addresses this practical gap by examining the impact of service quality on customer satisfaction in the Saudi retail sector and providing findings that can assist retail managers in improving service delivery and enhancing customer experiences.

The theoretical and practical gaps discussed above highlight the need to further examine the relationship between service quality and customer satisfaction in the Saudi retail sector. Accordingly, this study seeks to answer the following research question:

How does service quality affect customer satisfaction in the Saudi retail sector?

1.3. Research Significance

1.3.1. At the theoretical level

At the theoretical level, this study contributes to the existing literature by examining the relationship between service quality and customer satisfaction within the Saudi retail sector. It applies the SERVQUAL model, one of the most widely recognized frameworks for measuring service quality, to provide updated evidence in the context of Saudi Arabia. The findings are expected to enrich the current body of knowledge, support future research on service quality and customer satisfaction, and provide a reference for researchers interested in retail management and consumer behavior in emerging markets.

1.3.2. At the practical level

This study provides evidence that can help retail organizations better understand how service quality influences customer satisfaction. The findings may assist managers in identifying areas that require improvement, developing customer-oriented service strategies, and enhancing employee performance through targeted training programs. In addition, the study offers practical evidence that can support decision-making and contribute to improving customer experiences, increasing customer satisfaction, and strengthening the competitiveness of retail businesses in Saudi Arabia.

1.4. Research Questions

1.5. Research Objectives

1.6. Research Hypotheses

1.7. Research Model

1.8. Research Methodology

1.9. Scope of The Study

1.10. The Suggested Project Structure

2.Chapter 2: Literature Review

2.1. Introduction

Brief introduction for the chapter

2.2. The independent variable

2.3. The dependent variable

2.4. The relationship between the independent and the dependent variables

2.5. Conclusion

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