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Service Quality of Selected Indian Companies in the Post-Acquisition Period: A Study of the E-Commerce Sector

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Abstract: Mergers and acquisitions (M&A) represent key strategies for corporate restructuring, aimed at achieving growth, sustaining competition, and generating synergy. As an essential component of business strategy, M&A has gained significant popularity among corporations and is widely utilized as a restructuring tool. In India, several sectors have actively engaged in M&A transactions in recent years, with the E-commerce sector standing out due to its rapid expansion. The Indian e-commerce industry has experienced remarkable growth over the past few years, driven by increased smartphone penetration, rising demand for international consumer products, and enhanced digital infrastructure. Additionally, the COVID-19 pandemic and subsequent lockdowns led to a surge in online purchases of essential goods. Recognizing the sector's potential, the Government of India has permitted 100% Foreign Direct Investment (FDI) in online retail to encourage new entrants and foster industry growth. Mergers and acquisitions often respond to technological advancements or evolving market dynamics, necessitating strategic shifts. In the dynamic e-commerce landscape, service quality and customer satisfaction play a crucial role in shaping consumer purchase intentions. Maintaining high service standards is essential for businesses to build a sustainable competitive advantage and ensure customer retention. Any transformation in the industry directly impacts consumers—either positively or negatively—depending on market conditions and corporate decisions. Therefore, strategic planning should prioritize customer interests to maintain trust and business continuity. This research focuses on evaluating service quality and customer satisfaction in selected Indian e-commerce companies during the post-acquisition period, analyzing the implications of M&A on customer experiences.
Keywords: Post-acquisition, E-commerce sector, service quality, customer satisfaction

I. INTRODUCTION

A. E-commerce Sector in India

The e-commerce sector in India gradually evolves with strategic acquisitions with the aim to shape its growth and competitiveness. The current scenario of merger and acquisition in e-commerce sector demonstrates a growing market, which is influenced by consolidation, diversification, and technological innovation happened in India in recent times. In spite of several challenges and regulatory hurdles, ecommerce sector is forwarding towards further expansion through strategic collaborations and corporate investments. Acquisitions in this fast-developing sector, such as Zomato acquired Ubereats, Blinkit, giving focus on speed and convenience of delivery system. Companies are taking interest to acquire different platforms specializing in variety of commodities like garments, fashion, groceries, other consumer goods or healthcare to diversify their portfolios. Merger & acquisitions by global corporates (e.g., Walmart & Flipkart alliance) gives emphasis on India's significant position in global e-commerce market.

Indian E-commerce market is fast growing in the world and there is a rapid growth in this market during recent years. However, adoption of smart phones, increased demand for foreign consumer goods helped this industry to develop fast in India. Government's initiative to improve digital infrastructure is another cause for further growth. Not only that, during Covid -19 lockdowns many consumers preferred online delivery of essential items. Government of India has permitted 100% FDI in online retailing of commodities and services to encourage new investors to enter into e-commerce industry. Merger & Acquisition are a response to new technologies or market conditions that requires a strategic change.

Main functionaries of Indian Ecommerce industries are online food delivery, grocery, online travel, e-retailing, web-based payment platform, educational technology etc. In this study several Indian ecommerce companies are chosen based on their popularity which is typically influenced by factors such as user base, revenue, product range, services offered, customer satisfaction, and marketing strategies.

B. Acquisitions by selected E-Commerce Companies in India

The selected Indian Ecommerce companies have adopted acquisition strategy in the last few years. Swiggy has made 6 acquisitions with an average purchase amount of $7.3M. Its most active year has been 2018, with 2 acquisitions, and it has averaged nearly 1 acquisition per year over the past three years. All these deals are in India. Zomato has done 15 deals with an average acquisition amount of $159M. One of its most active years was 2015, with 4 deals, and it has averaged nearly 1 deal per year over the last three years. These deals are over 7 countries with most of them being in the India and United States. Bigbasket has done a total of 5 deals. It has the most active year in 2018 with 2 acquisitions. All of these acquisitions are made in India and United States. MakeMyTrip has completed 10 acquisitions with an average acquisition amount of $51.2M. One of its most active years was 2016, with 2 acquisitions, and it has averaged nearly 1 acquisition per year over the last three years, including 1 in 2024 so far. These acquisitions are over 5 countries with most of them being in the India and Thailand. BYJU'S has made 20 acquisitions and had an average acquisition amount of $320M. It had its most active year in 2021, wherein it acquired 9 targets. These acquisitions are spread across 3 countries with the greatest number of them lying in the India and the United States. Physics Wallah has made 6 acquisitions with an average acquisition amount of $45.6M. Its most active year was 2022, with 4 acquisitions, and it has averaged 2 acquisitions annually over the past three years. All these acquisitions are in India and United Arab Emirates.

C. Service Quality of E-commerce companies in post-acquisition period

Service Quality of Ecommerce sector is an important aspect that may either support or hinder the benefits of the merger during the post-merger period. Service quality impacts the loyalty of customers, their satisfaction, and the acquirer or merged firm's ability to meet its business objectives. The service quality of Indian e-commerce companies can be improved after the merger and acquisition, but the degree and time of improvements cannot be anticipated. It may all depend on several crucial factors, including procedures of integration and it's efficiency, strategic configuration, and customer-centric initiatives.

Merged companies typically improve their logistics systems, to deliver faster than ever. In post-merger, customers get access to a broader spectrum of products as the merged inventories are combined. In technology integration developed IT system improve the experience of the customer by loading less time, with personalized recommendations, and superior customer care & support. On the other hand, in post-merger and acquisition period, initially workflows can hamper service quality, leading to delay in delivery, cancellation of order, or miscommunication. Varied customer bases of the merged corporate units may expect high service standards which may lead to disappointment in case of unfulfillment of expectations. There is a need for the rapid scaling and good infrastructure to serve a huge customer base. In this case, resources may be a constraint affecting delivery timelines and product quality and standard. Reduced competition might lead to self-satisfaction impacting service quality and pricing over the long term. Leading e-commerce players focus on fast delivery services, often offering same-day or next-day delivery in metropolitan areas. While major platforms have high order fulfillment rates, smaller platforms or local players may struggle with stock issues and delays. Online platforms are improving quality checks, with policies like "Certified Authentic" or seller ratings. But some platforms face challenges with fake or counterfeit products, especially from third-party sellers. Most of the websites provide 24/7 customer support through chat, email, or phone. The speed of resolution has improved, and return policies and refunds have become streamlined. Multiple payment options are available now to make the shopping more convenient.

Many websites ensure that the refund is initiated within 3-4 business days, though some may take more. Top players ensure user-friendly interfaces with personalized recommendations and voice search features. Mobile-first strategies have enhanced accessibility, but connectivity issues in rural areas may be a challenge. Companies are expanding their reach to tier-2 and tier-3 cities, but the challenge remains in remote and rural areas. Sometimes, dependence on third-party logistics providers may impact delivery consistency.Credible return and refund policies increase consumer confidence. Online platforms invest heavily in advanced cyber security measures in order to protect user data. In this context, service quality of this particular sector becomes a strategic driver towards achieving long term competitive superiority and retaining customer. An industry decision always triggers a corresponding impact on customer. This research work would be related to an analysis of service quality during the post-acquisition period of some selected Indian companies in the E-commerce sector.

II. REVIEW OF LITERATURE

Companies have been developing day by day, competition is increasing and environment is changing constantly. Expansion of companies can be done by two ways i.e. internal and external. When implied growth of firms slows down, they may deal to external strategies like Merger & Acquisition (Prajapati & Nakum, 2019). M&As are a common managerial strategy, whether used by firms to enter new markets, subdue a rival, or acquire valued resources such as technology, locations, or people.

Scholarly research on M&A abounds, not only from within the strategic management area which tends to justify M&A in terms of synergies and competitive advantage but also from the financial management area which has an interest in risk-reducing portfolio effects (Calipha et al., 2010). . E-commerce creates new opportunities for business; it also creates new opportunities for education and academics line. It raises key challenges that are being faced by consumers relating to e-commerce viz., Ethical issues, Perceptions of risk in e-service encounters, challenges for e-business education and legal system. The new Innovative Technologies in Electronic and IT applications is backbone of the Industry development. This can happen only when E-commerce supplements and compliments development of the Engineering Industry and large-scale Quality manufacturing happens in India (Panigrahi et al., 2016). In this scenario, it is important to examine customer satisfaction, which is the antecedent of customer loyalty, which is considered one of the most critical tools to achieve long-term profit success, especially for e-commerce companies where it is difficult to create loyal customers. It is necessary to examine the effects of perceived service quality dimensions such as ease of use, responsiveness, personalization and assurance on customer satisfaction (Suzer, 2022). A sustainable business practice would be to promote e-commerce and m-commerce as complements rather than substitutes to traditional business. The synergies between offline and online businesses will enhance efficiency and result in a more stable existence. The future also entails a scenario which shall witness a rise in niche businesses, as well as, mergers and acquisitions to enable firms to grow inorganically (Khosla & Kumar, 2017). Service quality and customer satisfaction are very important concepts that companies must understand in order to remain competitive in business and hence grow. It is very important for companies to know how to measure these constructs from the consumers' perspective in order to better understand their needs and hence satisfy them. Service quality is considered very important because it leads to higher customer satisfaction, profitability, reduced cost, customer loyalty and retention (Nde et al., n.d.).

SERVQUAL is a multidimensional research instrument designed to measure service quality by capturing respondent's expectations and perceptions along five dimensions of service quality (Parasuraman et al., 1985). The measurement of quality in services is characterized by being complex, abstract, multifactorial (influenced by multiple factors with different weights) and intangible and is defined as the degree of adjustment between the characteristics of the service and the attributes valued by the customer (Rolo et al., 2023)

III. OBJECTIVES

1) To test the existing service quality model for selected companies in Indian Ecommerce sector using confirmatory factor analysis.
2) To compare customer's perception and expectation regarding service quality after adopting merger and acquisition strategies by the selected Indian Companies.

IV. RESEARCH METHODOLOGY

This research work is based on primary data collected from the online customers who use online platforms like Swiggy, Zomato, Byjus, Bigbasket, Physicswallah, Make my trip. As a tool of data collection, a well drafted and structured questionnaire was used. The questionnaire was based on 22 statements following the SERVQUAL model, framed by Parasuraman, Zeithaml, and Berry. For the purpose of measuring service quality customer expectations are compared with customer perceptions of the service received under five dimensions as specified in the model. It helps companies to identify gaps in different dimensions of service quality and make perfections to meet customer expectations. 307 respondents were included in the survey and they choose their level of agreement or preference using Likert scale with five options ranging from strongly disagree to strongly agree. Sample was chosen randomly and statistical software SPSS & AMOS were used for data analysis.

Table 1: Different dimensions & items of Ecommerce Service Quality

Dimensions	Items
reliability	Excellent & popular online companies deliver goods or provide service as they promised.
	Excellent & popular online companies provide reliable information about their product & services
	Excellent & popular online companies handle customer's payment transaction securely
	Excellent & popular online companies maintain accurate time regarding delivery of product or service
	Excellent & popular online companies are dependable in handling customers' problem

responsiveness	Excellent & popular online companies promptly address the customer's inquiries and concern
	Excellent & popular online companies are always ready to help their customer
	Excellent & popular online companies give attention to the customer's problem
	Excellent & popular online companies inform customers exactly when services will be performed.
assurance	Excellent & popular online companies make customers feel safe in their online transactions.
	Excellent & popular online companies provide sufficient information like guantee, warranty etc
	Customercare representatives in Excellent & popular online companies are knowledgable and capable of understanding quarries
	Refund and return policies of Excellent & popular online companies are fair and transparent
empathy	Excellent & popular online companies provide personalised recommendations
	Excellent & popular online companies keep the customers' best interest to make them feel valued.
	Excellent & popular online companies communicate their terms and conditions for customers.
	Excellent & popular online companies appologize for the inconvenience caused to customers
	Customercare service should have convenient operating hours for customers
tangibility	Excellent & popular online companies have modern and upto date mobile app
	Excellent & popular online companies have visually appealing websites
	Excellent & popular online companies communicate promotional offers properly
	Excellent & popular online companies have well designed user interface for best digital experience

V. DATA ANALYSIS & FINDINGS

A statistical measure Cronbach's Alpha was used to test the reliability or internal consistency of the scale. In this study reliability statistics shows 0.959, which indicates excellent reliability. This means items included are highly consistent with one another and assess how a set of items measure the construct effectively. Confirmatory Factor Analysis (CFA) was conducted using statistical software AMOS to test whether the data fits a measurement model. Five constructs are reliability, responsiveness, assurance, empathy & tangibility. These constructs are measured by 22 variables.

From the diagram exhibited in Figure 1, the factor loadings for indicators such as RP1, RP2, etc., appear to range from moderate (e.g., 0.67) to high (e.g., 1.13). Convergent validity is generally supported if the factor loadings of the indicators on their respective constructs are substantial. This suggests that most indicators strongly represent their constructs. Different model fit indices are chosen to test the model fit. Comparative Fit Index (CFI), Goodness of Fit Index (GFI), Normed Fit Index (NFI), Tucker Lewis Index (TLI) and Root mean square of error approximation, minimum discrepancy of confirmatory factor analysis divided by degrees of freedom (CMIN/DF) are commonly used parameters for the purpose.

Table II CFA Analysis

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

In order to understand whether the model is an acceptable fit with data, threshold is referred (Hooper & Coughlan, 2007). In the analysis, NFI is 0.854, CFI is 0.898, IFI is 0.899, TLI is 0.882. These parameters are in all acceptable range with fair values. Though following the threshold, it typically aiming for a value of 0.90 or greater, still values as low as 0.85 can be considered as an acceptable fit. GFI value is 0.848: The GFI value usually lies between 0 to 1 and the value closer to 1 indicates a better fit. A GFI of 0.848 is fairly good in this model. RMSEA is 0.079 with 90% CI [0.072, 0.087]. The RMSEA value is below the commonly accepted threshold of 0.08, indicating an acceptable model fit.

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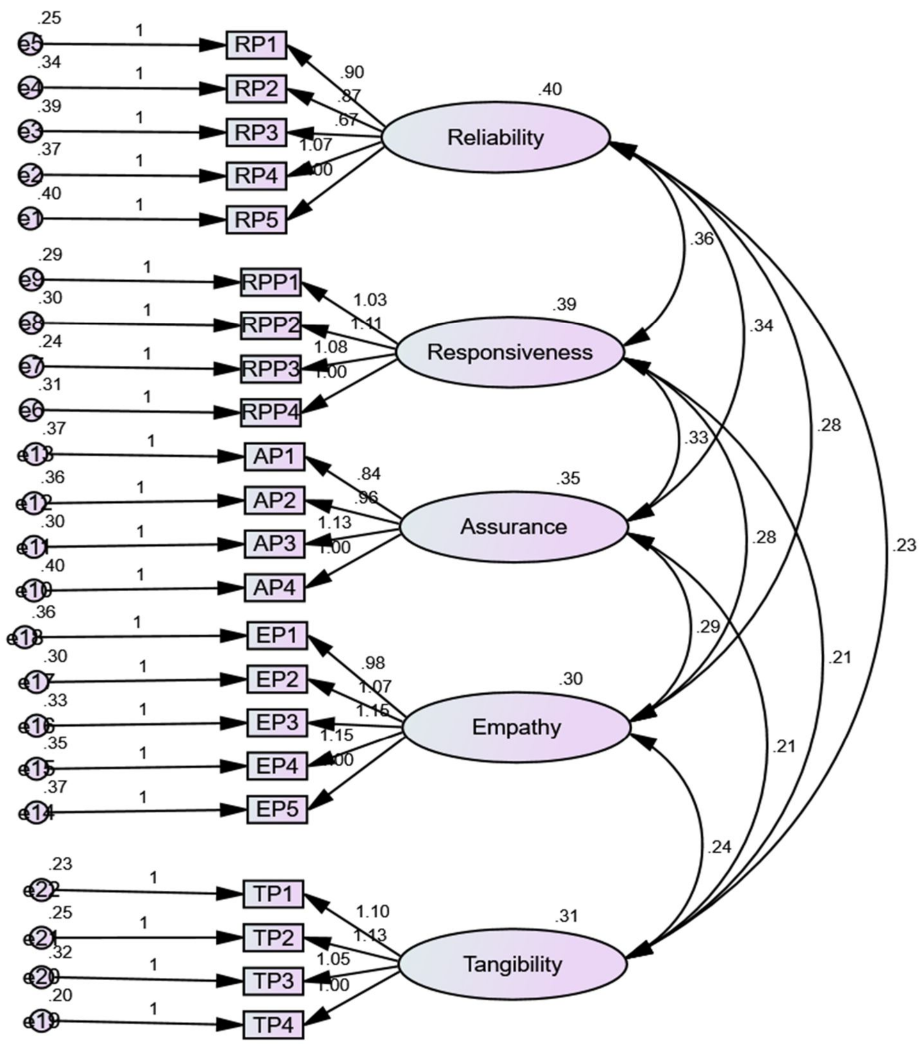

Figure 1 CFA Model

In the SERVQUAL model, the gap score is a measure of the discrepancy between customers' expectations and their perceptions of the actual service received. This gap is calculated for each dimension of service quality, and the overall SERVQUAL score is derived by summing the gap scores across all dimensions.

Table III Gapscore

Service quality Dimension	Gap score (Perception-Expectation)
Reliability	0.19544
Responsiveness	0.121336
Assurance	0.181596
Empathy	0.183713
Tangibility	0.210912

Tangibility refers to the physical aspects of the service, such as website design, product images, and ease of navigation. The highest score among the dimensions indicates that customers perceive the tangible elements of the e-commerce service as exceeding their expectations significantly. It is desirable to maintain or enhance the current quality of tangible features to sustain customer satisfaction.

Reliability measures the ability to perform promised services dependably and accurately, such as timely delivery and accurate order processing. A positive score indicates that the platform is meeting or slightly exceeding customer expectations in reliability. It is also desirable to focus on maintaining consistent performance and reducing any rare instances of order errors or delays.

Empathy reflects the level of personalized attention and care provided to customers. A positive score here suggests that customers feel the platform caters to their needs but there's still a moderate opportunity to enhance personal connections with customers. Ecommerce companies should offer more personalized communication, such as tailored recommendations or proactive customer support.

Assurance relates to the confidence and trust customers feel in the platform, including the competence and courtesy of customer support. The positive score shows that customers feel assured but there is still a small gap to fully excel in this area. Companies needs to strengthen trust-building measures like secure payment systems, clear policies, and training for customer support teams to enhance confidence.

Responsiveness measures the platform's willingness and ability to help customers promptly. The lowest score among the dimensions, while still positive, indicates that responsiveness is an area requiring more attention. Companies needs to improve response times for customer inquiries, offer real-time chat support, and proactively address customer issues.

The positive gap scores across all dimensions indicate that the e-commerce platform is generally exceeding customer expectations. However, responsiveness and empathy are the dimensions with the greatest potential for improvement. Improving responsiveness and empathy will likely have the most significant impact on overall customer satisfaction.

VI. CONCLUSION

The first objective of the study was to test the existing service quality model for selected companies in Indian Ecommerce sector using confirmatory factor analysis (CFA). CFA analysis determined the overall fit of the measurement model. For assessment of measurement model, it is necessary to use a variety of model fit measures. Accordingly, the evaluation of the model fit is based on certain the criteria. After getting the statistical values of the measurement model, it can be concluded that the model fitted well in representing the data.

During post-acquisition period, selected Ecommerce companies successfully met the customer's expectation. Gap score is calculated to understand whether customer's perception exceeds customer's expectation. Positive gap score in all five dimensions represents customer's satisfaction regarding service quality after adopting merger and acquisition strategies by the selected Indian Companies. Combined entities can pool resources such as technology, logistics, and talent, improving operational efficiency and customer experience. Integration of advanced technologies from both entities can elevate service quality. Joint distribution networks can result in faster delivery times and reduced costs. The merging of strong brands can increase consumer trust, potentially leading to higher satisfaction.

In this study selected companies achieved positive gap score but score is not high enough which implies there are some challenges to the service quality. Combining systems, processes, and cultures can be complex, leading to disruptions in service during the transition period. Changes in branding, policies, or platform interfaces can confuse or frustrate existing customers. Integrating customer databases while maintaining data security and privacy can be challenging and impact personalized service delivery. M&A often leads to layoffs or restructuring, which can disrupt customer service quality if experienced personnel leave. During the integration phase, companies might focus more on internal processes than on customer-centric improvement.

Merger and Acquisition may have long term impact on the service quality. The consolidated entity might dominate the market, potentially leading to a lack of competitive pressure to maintain high service standards. The merger could provide capital and expertise to invest in R&D, improving long-term service quality. Reduced operational costs due to economies of scale can translate into better pricing and improved services for customers.

The Indian e-commerce sector is maturing rapidly and is expected to witness sustained improvements in service quality, especially as players invest in technology and logistics. While challenges persist, the sector is generally aligned toward creating a more reliable and customer-centric experience.

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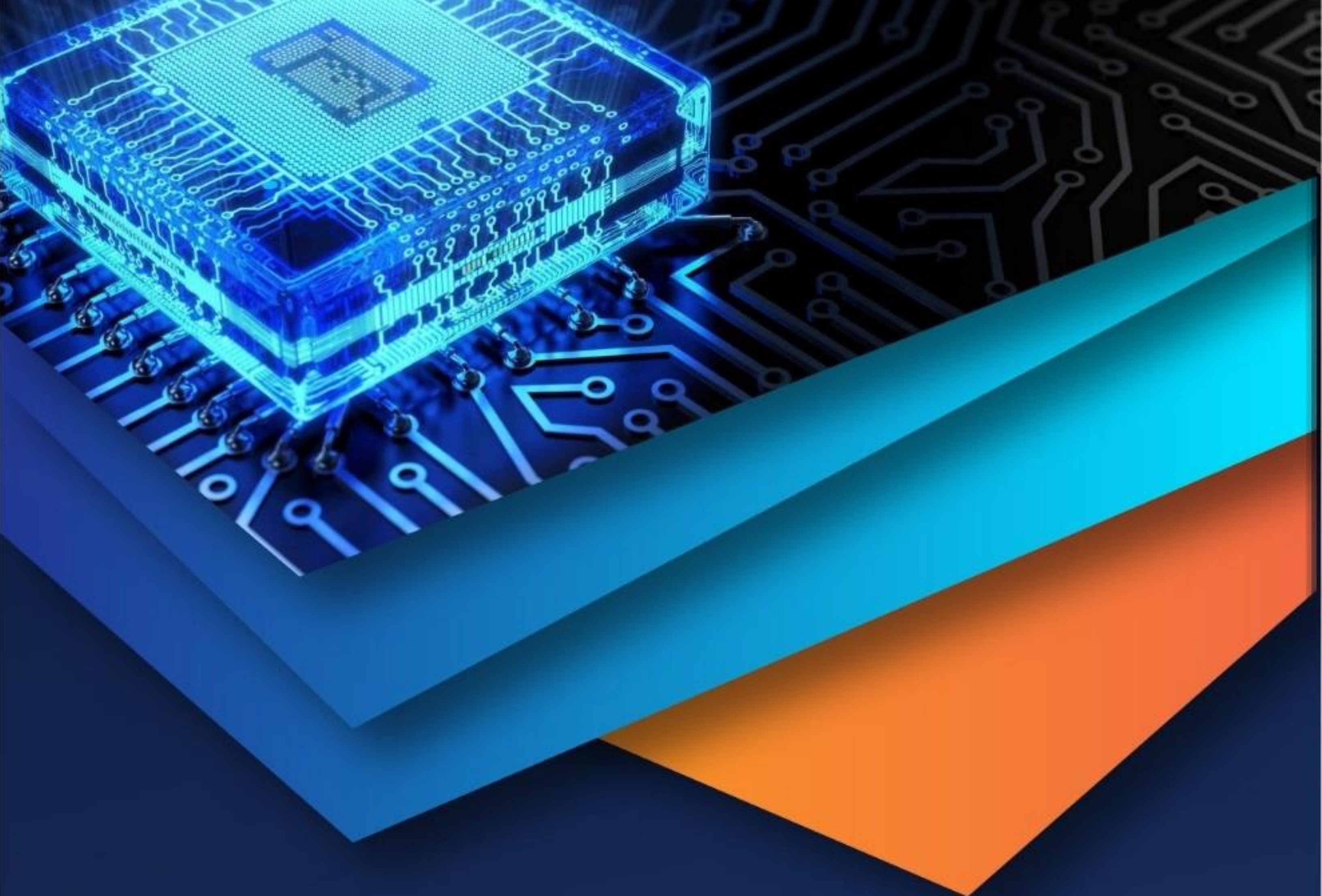

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