UNIT 9 SERVICE QUALITY MANAGEMENT

Structure

9.0 OBJECTIVES

After studying this unit, you will be able to:

- Define service quality;
- Identify the reasons for a different approach to service quality;
- Explain the determinants of service quality;
- Understand service quality models and their application;
- Understand the linkage between service quality and profitability; and
- Measure service quality.

9.1 INTRODUCTION

Service quality management is the process of ensuring that a service meets or exceeds customer expectations. It involves identifying, measuring, and managing the various elements that contribute to the overall quality of a service. This includes things like reliability, responsiveness, assurance, empathy, and tangibles such as a service provider's physical appearance and equipment.

There are several different approaches to service quality management. One popular approach is the "gap model," which identifies the gap between customer expectations and perceptions of the service received. By identifying and closing these gaps, service providers can improve the overall quality of their service.

Another approach is Total Quality Management (TQM),, a management strategy that seeks to involve all employees in continuously improving service quality. TQM emphasizes employee involvement, customer focus, continuous improvement, and a systematic approach to management.

Service quality management can be used in various settings, including healthcare, hospitality, retail, and government services. organisationsgrowth. Organizations can improve customer satisfaction, increase loyalty, and drive revenue and growth by focusing on service quality.

9.2 SERVICE QUALITY

Definition of Service Quality

The term ‘Service Quality’ has been defined in different ways. Below are some of the definitions:

- Service quality, as perceived by customers, can be defined as ‘the extent of discrepancy between customers’ expectations or desires and their perception’ (Zeithaml, Parasuraman and Berry, 1990)
- Quality is whatever customers say it is, and the quality of a particular product or service is whatever the customer perceives it to be (Buzzel and Gale, 1987)
- Service quality is the delivery of excellent or superior service relative to customer expectations (Zeitharnl and Bitner, 1996)
- Quality of service, as perceived by the customer, is the result of a comparison between the expectations of the customer and his real-life experiences (Gronroos, 1982)

You will notice that all these definitions revolve around service quality being what customers perceive. Only customers judge quality, and all other judgments are irrelevant. Therefore, the ultimate aim of an excellent service quality system is to satisfy the customers' needs and go beyond to delight them.

The principles and practices applied to goods quality are insufficient for ‘Service Quality’. This is because of some fundamental differences between goods and services regarding how they are produced, consumed and evaluated.

Reasons for Different Approach to Service Quality

The reasons for different approaches to service quality are explained below:

i) Services are predominantly intangible. Since services are performances, acts and experiences, it is not possible to have exact specifications for them, unlike physical objects like automobiles, machine tools, television sets, etc., for which exact specifications can be set and communicated. Further, services can't be tested before sale to determine quality. That means services are low in 'search qualities'– attributes that a customer can determine before purchasing a product and stronger in 'experience qualities' - attributes that can only be discerned after purchase or during consumption. Also, there are certain services that customers find difficult to evaluate even after purchase and consumption, i.e., 'credence qualities. Therefore, the criteria customers use to evaluate services are more complex, thereby increasing marketers' difficulties. In the Service industry or otherwise, service standards can be built to describe the level of service a company promises to offer their customers.

ii) Another essential aspect requiring separate treatment of service quality is the 'inseparability' aspect of services; the inseparability of production and consumption in services reflects the more active part required from the service provider as well as the customer. In this interaction, the quality is usuallythe quality is usually judged by the customer. The interaction between production and consumption in services, as shown in Figure 6.1, may be broad, e.g., restaurants or air travel, or it may be thin, e.g., trunk call through a telephone exchange. This nature of services, whereby customers often have to be in a service factory, makes it difficult for service providers to ensure quality before service is rendered to the customers. This is quite the opposite of goods, which are engineered, produced and quality-controlled prior to sending them to the customer for consumption.

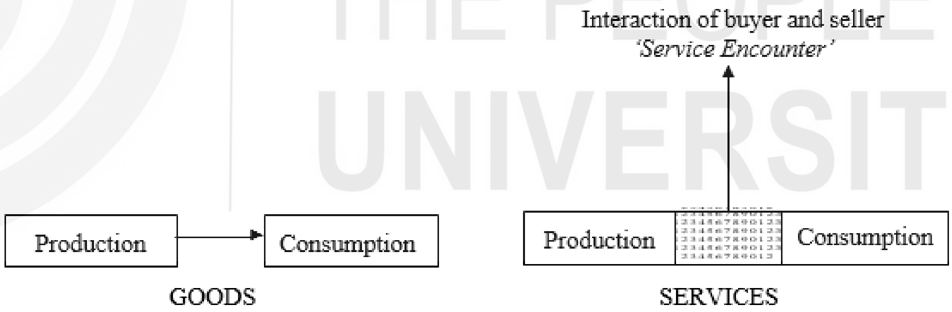

Figure 9.1: Buyer-seller interaction in services

iii) Services are 'heterogeneous' in nature. The service performance may vary

- From producer to producer for the same service
- From customer to customer, even with the same producer
- From day to day for the same producer

Therefore, ensuring consistent service quality is a big challenge to producers that is a reason that the feedback mechanism and CSI index are the key tools to gauge customer feedback and predict customer behaviour in future.

Based on what you have studied so far in this unit, you will appreciate the following underlying themes about service quality as highlighted by Pasasuraman, Zeithaml & Berry (1985):

- Service quality is more difficult for the customer to evaluate than goods quality.
- Service quality evaluations are not made solely based on the outcome of service, they also involve evaluation of the process of service delivery.
- Service quality perceptions result from comparing customer expectations with actual service performance.

9.3 FACTORS INFLUENCING SERVICE QUALITY

Service quality is a key differentiator for any customer when he or she has to choose between different retailers. High service standards create customer satisfaction and loyalty. A long-term relationship evolves as a result. A low level of service quality will force the customers to look for alternatives.

For example, a retailer had advertised a significant sales offer wherein items purchased would entitle a customer to a free gift in the form of another product. However, on visiting the store, the customer found that none of the advertised products were available and out of stock. The customer felt cheated since he had come to the store based on the advertisement for the particular scheme. This is an example of poor service quality.

We will see many aspects of service quality in this unit. Factors influencing service quality can be broadly broken down into two:

1) **External to Customer**
2) **Internal to Customer**

1) **External to Customer Factor can be Further Classified as**
   a) Word of Mouth
   b) External Communication
   c) Situational Factors

2) **Internal to Customer Factor Includes the Following:**
   a) experience
   b) Personal needs

The external factorsexcept, with the exception of situational factors and the internal factors, combine to shape the expected service of the customer. This is also presented in the figure 9.2 given below:

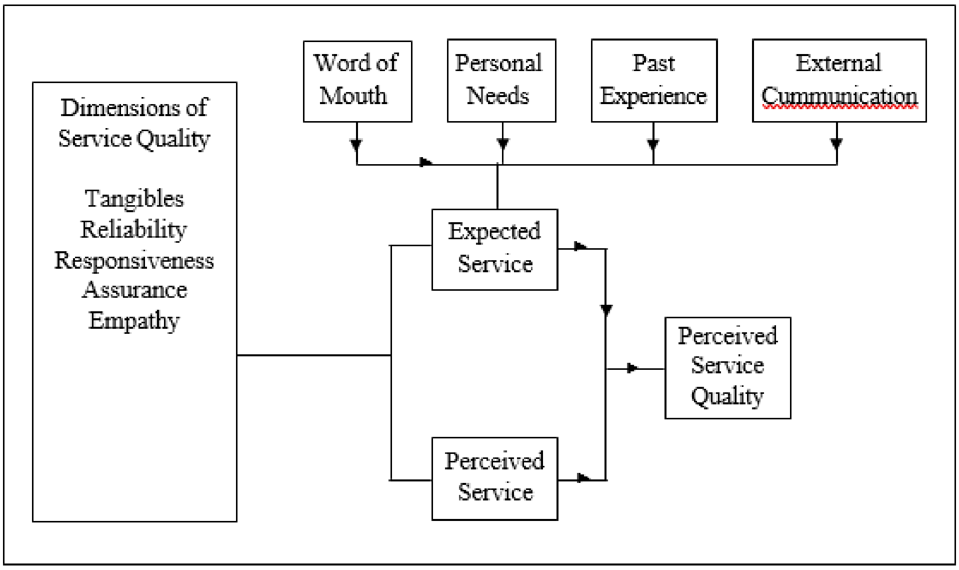

Figure 9.2: Customer's assessment of service quality

Source: Parasuraman, Zeithaml and Berry's Service Quality Model

External Factors to Customers Influencing Service Quality

Word of Mouth: Customers develop expectations of service based on what they hear from others. They will learn from the opinions of others and develop their expectations from the retail outlet. If a friend tells a customer that in a retail store, the service is ordinary and the checkout is slow, then the customer will expect accordingly.

External Communications: All external communications by the retailer also shape the expected service quality. If a store claims that it will replace any faulty product immediately without any questions, then that will be the customer's expectation. He will purchase products with such a belief. However, if the store does not live up to its promise and argues with the customer when he wishes to return a faulty product, he will be disappointed and lower his expectations from the store. All forms of communication, whether they are newspaper advertisements, in-store communications, posters, mail, etc., will create a certain level of expectation.

Situational Factors: The expectations of service will also vary depending on the nature of the store one is visiting. When a customer visits a self-service store or a supermarket store, his expectation of service may be much lower than a high fashion store where he could expect highly personalised service.

Internal Factors to Customers Influencing Service Quality

Past Experience: If the customers found the sales associates warm and friendly on previous visits to the store, he will always carry that impression with him and expect the same level of warmth on each subsequent visit. Our previous experiences in the retail outlet are a significant factor in deciding our level of expectations.

Personal Needs: Any individual has personal needs when he visits a store.

These needs could be as simple as wanting to purchase a product and move out speedily. The need could also be that he wants special attention and be treated like a special guest. Needs will vary from individual to individual.

Several factors can influence the perceived quality of a service, including:

1. **Reliability:** Customers expect a service delivered as promised, with consistent and dependable performance.
2. **Responsiveness:** Customers want their needs to be addressed promptly and efficiently.
3. **Competence:** Customers expect service providers to have the necessary knowledge and skills to perform the service effectively.
4. **Access:** Customers want to access the service quickly, with minimal effort and inconvenience.
5. **Communication:** Customers expect clear and accurate information and effective communication throughout the service process.
6. **Credibility:** Customers want to trust and have confidence in the service provider.
7. **Security:** Customers want to feel safe and protected when receiving the service.
8. **Empathy:** Customers want the service provider to be understanding of their needs and concerns.
9. **Tangibles:** Customers are influenced by the physical appearance of the service and its delivery, including the appearance of the service provider, equipment and facilities.
10. **Personalization:** Customers want to feel that the service is tailored to their individual needs and preferences.

By understanding these factors, service providers can work to improve the quality of their service and increase customer satisfaction.

Check Your Progress A

1 What do you understand by Service quality?

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2 What are the external and internal factors influencing service quality? Support your answer with examples.

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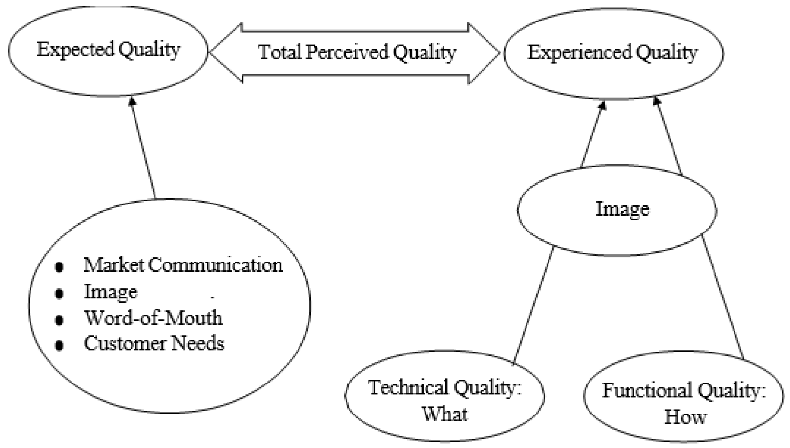
9.4 SERVICE QUALITY MODELS

Considering the complex nature of how customers judge service quality, several researches have been done in the area, and various models have been developed to explain the nature of service quality evaluation. However, two significant works have received widespread attention and acceptance. The first is the 'Nordic' perspective (Gronroos), which defines the dimensions of service quality in broad terms consisting of functional and technical quality. The second is the 'American' perspective (Parasuraman, Zeitharnl and Berry's, Gaps model) using five service quality dimensions. Both models are discussed in detail here below.

9.4.1 Gronroos' Model

This model suggests that the quality of a service as customers perceive it has two dimensions, namely, a technical or outcome dimension, i.e., what the customers get and a functional or process-related dimension, i.e., how the process and service encounter are perceived. These two have been termed 'technical quality' and 'functional quality'. For example, a restaurant customer will judge the service based on his perception of the food (what is being delivered-technical quality) as well as how the food was served (functional quality). A patient will judge the services of a hospital not only based on the cure element (technical quality) but on the care element (functional quality) as well. Gronroos postulated that as long as the outcome or the technical quality is acceptable, the process dimension, or functional quality, frequently may be more critical to the customer's overall quality perception. Also, in some instances, the technical quality or the outcome may be difficult for the customers to judge, and in such cases, the quality perceptions will be based to a large extent on functional quality.

The quality perception process includes more than just the two service quality dimensions. Good perceived quality is obtained when the experienced quality meets or exceeds the expectations of the customer, that is, the expected quality. This means that even if the experienced quality is good, the total perceived quality may still be low if the customers' expectations are very high or unrealistic. Conversely, the total perceived quality may be high, even if the experienced quality is not very good, if the customer has meager expectations. Fig 6.3 brings about the perceived service quality model.



Source: Gronroos, C. (1988) ; Service Quality: The Six Criteria of Good Service Quality, Review of Business 3, p. 12.

The image of the company doesn't only have an impact on the expected quality but also the perception of the quality experienced. It works as a filter, i.e., if the image of the service provider is good in the minds of the customer, minor errors or mistakes are likely to be overlooked and conversely, if the image is negative, the impact of a mistake is likely to be greater, than it otherwise would be. The model suggests that the total perceived quality is not determined by the level of the technical and functional quality dimensions only but instead by the gap between the expected and experienced quality.

The expected quality depends on several factors like market communication, image, word-of-mouth communication, corporate image and customer needs, a few of which are directly under the firm's control and others only indirectly controlled. Factors under the firm's direct control include advertising, direct mail, public relations, sales campaign etc. (i.e.; market communication) whereas factors like image, word-of-mouth and customer needs are not directly under firm's control but can be influenced. Marketers should understand from this not to overpromise. Delivering on promises is an important aspect of perceived service quality. Also, it should be appreciated that customer expectations are not static but keep changing over time.

Self Assessment Activity 1

Consider the following services and identify the Technical Quality and Functional Quality elements

a) Airlines b) Retail Banking – savings account

b) Hotels d) Health Care

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9.4.2 Gaps Model

Parasuraman, Zeithaml and Berry (PZB) have done extensive work in service quality. According to them, Perceived Service Quality can be defined as the extent of discrepancy between customers' expectations or desires and their perceptions. Put, Perceived Service Quality = Perceived Service - Expected Service. Based on their research work, they identified that customers consider five dimensions in their assessment of service quality, as given below:

Reliability: Ability to perform the promised service dependably and accurately (Example: flights depart and arrive on schedule).

Responsiveness: Willingness to help customers and provide prompt service (for example, no waiting at the hospital).

Assurance: Employee's knowledge, courtesy and ability to inspire trust and confidence. (Example: knowledgeable mechanics at an auto service centre).

Empathy: Caring, individualised attention given to customers (Example: a specific type of room provided to the guest based on his previous stay, acknowledges customer by name).

Tangibles: Appearance of physical facilities, equipment, personnel and written materials (example: seating and air conditioning in a theatre).

Of the five dimensions, reliability is considered to be the most important one. It refers to the company delivering on its promises. In a competitive marketplace, a firm needs to be reliable in order to attract customers' loyalty. The assurance dimension is likely to be of great importance in the case of services perceived to be of high risk by the customers or services which are rich in credential qualities, e.g., health services. Tangibles may be given great importance by new customers to judge service quality, especially when other cues may not be available. By focusing on empathy, a retailer can make the customer feel unique and specialemphasises, whereas the responsiveness dimension emphasizes promptness in dealing with customers' requests, complaints, or problems.

PZB further focused on finding the deficiencies within companies that result in poor quality perceptions by customers. The reasons for the gap between customers' perceptions and expectations (Gap5 - Customer Gap) were identified as:

Provider Gap 1:	Not knowing what customers expect
Provider Gap 2:	Not selecting the correct service designs and standards
Provider Gap 3:	Not delivering the service standards
Provider Gap 4:	Not matching performance to promises

Based on the above, a gap analysis model was developed, as shown in Figure 6.6.

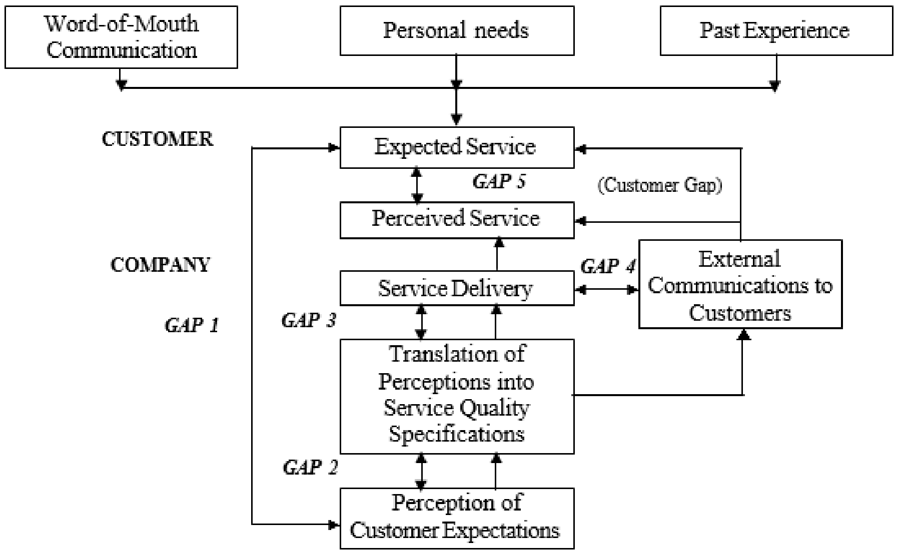

Figure. 9.4: Gaps model of service quality (PZB)

1. **Provider Gap1**: Not knowing what customers expect: This gap is the difference between customer expectations of service and company understanding of these expectations. Service firm's executives may not always understand what features connote high quality to customers in advance, what features a service must have in order to meet customer needs and what levels of performance on those features are needed to deliver high-quality service.

2. **Provider Gap 2**: Not selecting the correct service designs and standards: A company might correctly perceive the customers' needs but may not set a specified performance standard. This may occur because management sometimes believes customer expectations are unreasonable or unrealistic. Alsoanda the , availing of other factors like resource constraints, market conditions and management indifference - may result in a discrepancy between the company's perception of customer expectation and the actual specification established for service.

3. **Provider Gap 3:** Not delivering the service standards: This is the gap between service quality specifications and actual service delivery. Even if there are customer-driven service standards, high-quality service delivery is not a certainty. The main reason for this gap is the involvement of human beings in service delivery - especially the role of contact personnel. The variability in employee performances makes it hard to maintain standardised quality. Failure to match demand and supply, customers not fulfilling their roles and problems with service intermediaries may also create this gap.

4. **Provider Gap 4**: Not matching performance to promise is a gap between what you deliver and your external communication. Media advertising and other communication by a firm can affect customer expectations. Therefore, a company must be sure not to promise more in communication that it can deliver in reality. Promising more than what

can be delivered will raise initial expectations but lower the perception of quality when the promises are not fulfilled.

In order to bridge the gap between customers' perceptions and expectations, provider gaps 1 to 4 must be filled. The key contributing factors leading to provider gaps and strategies to reduce the gaps have been highlighted below.

Gap	Causes of Gap	Strategies to Reduce Gap
Gap 1	• Lack of marketing research orientation • Inadequate upward communication • Too many levels of management	• Communication with customers • Conduct marketing research • Encourage upward communication
Gap 2	• Inadequate management commitment to service quality • Perception of infeasibility • Absence of goal setting • Absence of customer-driven standards • Resource constraints	• Top management commitment • Develop Service Quality goals • Standardisation of tasks • Address feasibility of customer expectations
Gap 3	• Deficiencies in human resource policies • Failure to match supply and demand • Customers not fulfilling roles	• Teamwork, Empowerment, Role clarity, Training • Synchronise demand & capacity • Communicating with customers
Gap 4	• Overpromising • Ineffective management of customer expectations • Inadequate horizontal communication	• Avoid propensity to overpromise • Increase horizontal communication • Managing customer expectations

The Gaps Model thus helps in finding out the reasons for the quality problems and the ways to close the gaps.

Self Assessment Activity 2

Choose any service organization you are familiar with and using the gaps model of service quality identify the gaps the organisation suffers from and the possible reasons for these gaps.

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Additional:

Several models are used to measure and evaluate service quality, including:

1. **SERVQUAL:** The most widely-used service quality model is SERVQUAL, which stands for "service quality." This model, developed by Paraskevas and Zeithaml in the late 1980s, identifies five service quality dimensions: reliability, responsiveness, assurance, empathy, and tangibles.

2. **Kano Model:** The Kano model is a customer satisfaction model used to identify the attributes that drive customer satisfaction and dissatisfaction. It divides the attributes into three categories: essential, performance, and excitement.

3. **ECSQ:** The European Customer Satisfaction Index (ECSI) model is a customer satisfaction measurement model used to evaluate customers' overall satisfaction with a company's products and services.

4. **ISO 9001:** ISO 9001 is an international standard for quality management systems that service providers can use to improve service quality.

5. **RATER Model:** The RATER model is a service quality model that focuses on the reliability, assurance, tangibles, empathy, and responsiveness of a service.

6. **RATER-S Model:** The RATER-S model is an extension of the RATER model, which includes a sixth dimension: “S” for satisfaction.

These models are helpful for organizations to evaluate and improve their service quality by understanding the customer's needs and expectations. organisationsUsing these models, organisations can identify areas needing improvement and develop strategies to enhance their service quality.

9.5 MEASURING SERVICE QUALITY

SERVQUAL

The most widely-used measure for service quality has been the ‘SERVQUAL’ measure of Parasuraman, Zeithaml and Berry, according to which customer assessment of service quality results from a comparison of service expectations and actual performance. The SERVQUAL scale was first published in 1988 and has undergone numerous improvements and revisions. This scale was developed and validated using service providers in four service sectors: retail banking, credit cards, securities brokerage and product repair and maintenance. The scale developers acknowledge that the five service quality dimensions are general dimensions that relate to most of the services. It measures the service quality on the five service quality dimensions discussed earlier in this unit, viz. Reliability, Responsiveness, Assurance, Empathy and Tangibles. Reliability primarily concerns whether the outcome of service delivery was as promised. The other four dimensions relate to the service delivery process or how the service was delivered. Servqual scores are expressed as the difference between expectations and perceptions, i.e., it measures the gap between the service that customers think should be provided and what they think has been provided. Respondents complete a series of scales, which measure their expectations on five service quality dimensions, and subsequently, they are asked to record their perceptions of that company’s performance on those exact dimensions. When perceived performance ratings are lower than expectations, this is a sign of poor quality; the reverse indicates good quality.

Example:

A) Expectation Statements (E)

Service Quality Management

	Strongly Disagree						Strongly Agree
• The physical facilities at banks should be visually appealing	1	2	3	4	5	6	7
• Banks should give customers individual attention	1	2	3	4	5	6	7

B) Corresponding Perception Statements (P)

	Strongly Disagree						Strongly Agree
• The physical facilities at XYZ Bank are visually appealing	1	2	3	4	5	6	7
• XYZ bank gives customers individual attention	1	2	3	4	5	6	7

Service Quality Scores Would be Expressed as P-E

The original SERVQUAL instrument consisted of 22 statements covering the five service quality dimensions (4 questions on tangibles, five on reliability, four on responsiveness, four on assurance and five on empathy) - i.e. a set of 22 statements covering expectations and a set of 22 corresponding statements covering perceptions. Expectations and perceptions statements include aspects like (i) equipment, physical facilities, appearance of employees, materials associated with the service like pamphlets or statements (tangibles), ii) timely provision of service, performing the service right the first time, meeting the promises, sincere interest in solving the problems (reliability), (iii) prompt service, willingness to help, employees never too busy to respond to customer requests (responsiveness), (iv) behaviour of employees instilling confidence, feeling of safety in transactions, employees having knowledge to answer the questions (assurance) and (v) individual attention to customers, employees understanding specific needs of customers (empathy). In addition to the expectations and perceptions section, the SERVQUAL contained a "point allocating question," which was used to ascertain the relative importance of the five dimensions by asking respondents to allocate a total of 100 points among the dimensions. The servqual instrument has been used extensively, with or without some modifications. Stevens, Knutson and Patton, based on the servqual instrument, developed an interview schedule - 'Dineserv. per" for continual assessment of customers' perceptions regarding the service quality of restaurants and suggested that it could be administered every two to three months to 50 to 100 recent customers, selected at random. Exhibit 6.1 gives the details of the Dineserv. per interview.

The SERVQUAL Scale can be Used

i) To determine a company's service quality along each of the five service quality dimensions.

ii) To determine the relative importance of service quality dimensions as the customer considers.

iii) To compute overall weighted SERVQUAL score, which also considers the relative importance of each dimension.

iv) To track customers' expectations and perceptions over time

v) To compare a company's SERVQUAL score against those of competitors.

As mentioned earlier, the SERVQUAL instrument has been used with modifications in several studies. Though it is a widely used instrument, some researchers have also identified problems in using the instrument and the gap theory methodology. Cronin and Taylor suggest that instead of measuring expectations and perceptions, measuring performance alone would be enough to measure service quality. They have suggested that the performance-based scale developed (SERVPERF) is more efficient than the SERVQUAL scale as it reduces by 50% the number of items that must be measured.

Exhibit 6.1

The "DINESERV PER" Interview

Introduce yourself, say that you are trying to measure the quality of the service at your restaurant, since you are always trying to improve, and that this will take only about ten minutes. Ask if you may have their time and cooperation. If they agree, ask them to indicate their position on each of the 29 statements by assigning a number from seven (strongly agree) to one (strongly disagree). They should assign an intermediate number if their feeling is between those extremes.

The restaurant .....

1) Has visually attractive parking areas and building exteriors.
2) Has a visually attractive dining area.
3) Has staff members who are clean, neat, and appropriately dressed.
4) It has decor in keeping with its image and price range.
5) Has an easily readable menu.
6) Has a visually attractive menu that reflects the restaurant's image.
7) Has a dining area that is comfortable and easy to move around in.
8) Has thoroughly clean restrooms.
9) Has thoroughly clean dining areas.
10) Has comfortable seats in the dining room.
11) Serves you in time in the dining room.
12) Quickly corrects anything wrong.

13) Is dependable and consistent.
14) Provides an accurate guest check.
15) Serves your food exactly as you ordered it.
16) During busy times, employees shift to help each other maintain speed and quality of service.
17) Provides prompt and quick service.
18) Gives extra effort to handle your special requests,
19) Has employees who can- answer your questions thoroughly.
20) Makes you feel comfortable and confident in your dealings with them.
21) Has personnel who are both able and willing to give you information about menu items, their ingredients, and methods of preparation.
22) Makes you feel personally safe.
23) Has personnel who seem well-trained, competent, and experienced.
24) Seems to give employees support so that they can do their jobs well.
25) Has employees sensitive to your needs and wants, rather than always relying on policies and procedures.
26) Makes you feel special.
27) Anticipates your individual needs and wants.
28) Has employees who are sympathetic and reassuring if something is wrong.
29) Seems to have the customer's best interest at heart.

The first ten items are about tangibles; items 11-15, about reliability; items 16-18, about responsiveness; items 19-24, about assurance; and items 25-29, about empathy.

Source: Steven, Knutson and Patton, "Dineserv: 1001 for Measuring Service Quality in Restaurants, Cornell Hotel and Administration Quarterly", April 1995, p.59

While conducting surveys to assess service quality, it will always be beneficial to ask some additional questions on customer satisfaction and loyalty with regard to the service provider. The loyalty issue can be addressed by asking questions on the customer's repurchase intention and his likelihood or willingness to recommend the company and brand to others (a positive word-of-mouth). We will discuss more issues related to customer loyalty in the next unit.

Other Measures

Apart from conducting customer surveys like the one using SERVQUAL as described above, some of the other methods which service organisations use to obtain information about their service quality are briefly explained below:

a) **Transaction Surveys:** This type of research involves tracking the information about customers or all of the vital service encounters with the customer. These surveys are called 'trailer calls' or 'post-transaction surveys'. This is usually done with the help of a small questionnaire immediately after a service transaction has taken place, e.g., a survey of airline passengers while disembarking or that of a hotel guest while checking out. These surveys also provide the management with a tool for monitoring the performance of individual service contact personnel.

b) **Complaint Solicitation and Analysis:** Customers tend to voice their dissatisfaction through complaints. An analysis of the complaints can help in identifying quality failure points.

c) **Mystery Shopping:** In this method, outside research companies are used by service organisations that send people posing as customers in order to judge the service quality. The mystery shopper is unknown to the service provider. This is a popular method in the retail sector. Mystery shopping, also termed Ghost Shopping, can be a very effective way of reinforcing service quality standards.

d) **Asking Customers:** This involves asking customers directly what they would like to do to increase service quality and satisfaction. This can be very effective in business-to-business situations. This primarily concerns the expectation aspect. A slight variation of this, which includes perceptions about the service quality as well, is to form customer panels, i.e., ongoing groups of customers who are assembled to provide perceptions about a service over some time.

e) **Intermediary Research:** This research is helpful in services where intermediaries form an essential part of the service delivery process and have a significant direct contact with customers. In such situations, intermediaries can provide valuable feedback to the service firm regarding quality of service as perceived by the customers.

Check Your Progress B

1. What is Goonroo's model of service quality?

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2. What are the four gaps in customer-perceived service quality?

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3. What are the methods of measuring service quality?

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9.6 CREATING VALUE PERCEPTION THROUGH QUALITY

As stated previously, service quality is defined as a customer's judgment of the overall excellence or superiority of a service (Zeithaml, 1988). Schneider and White (2004) observe that this excellence and superiority relate to service delivery issues. Moreover, service delivery provides one kind of customer value (Gronroos, 1994) - performance value. Performance value is thus defined as the value obtained by a customer based on the 'global evaluation' of the store's capability regarding its 'service delivery system' (Dabholkar et al., 1996).

Expressiveness Value from Store Service

This study proposes that apart from performance value, the 'expressiveness' value would also significantly impact satisfaction and patronage intentions. The concept of expressiveness value is obtained from two streams of research related to store image studies.

Congruity literature provides evidence that 'shoppers seek stores' whose image attributes match customer self-image (Doyle and Fenwick, 1974, p. 41). Customer store-related attitude and patronage behavior depend on the extent to which the store image attributes are associated with one's self-image (Hem & Iversen, 2002). This appeal of the store attributes to its self-image provides 'expressiveness' value to the customer.

Since service quality is considered a component of store image (Flint, Woodruff and Gardial, 2002), and store image is believed to be associated with satisfaction and patronage intentions, by extension, one expects that the appeal of store service attributed to customer self-image would be significant in determining store satisfaction and patronage intentions.

9.6.1 Communicating with Customers About Service Quality

Communication with customers involves listening to them and keeping them informed. The ISO standard brings about the various elements of effective communication with customers. This involves:

- Describing the service, its scope, its availability and timeliness of delivery.
- Stating how much the service will cost.
- Explaining the inter-relationship between service delivery and cost.
- Explain to customers the effect of any problems and how they will be resolved should they arise.
- Ensuring that customers are aware of the contributions they can make to service quality.
- Providing adequate and readily accessible facilities for effective communication.

- Determining the relationship between the service offered and the customer's real needs.

The need for proper communication is highlighted by the fact that the customer's perceptions of service quality are often acquired through communication with the service organisation's personnel and facilities. Also, service advertisements should reflect the service specification and take account of the customer's perception of the quality of service provided. The marketing function should recognise the liability, risks and financial implications of offering exaggerated or unsubstantiated claims for a service. It is here that the importance of linkages between operations and marketing comes into the picture.

Valarie Zeithaml suggests that communicating service quality begins with understanding the importance of the various aspects of service quality to customers. Isolating quality dimensions that are most important to customers provides a focus for advertising efforts. Some of the propositions developed by him regarding advertising for services include:

- Focusing on the most critical dimension of service quality will result in more effective communication than focusing on other dimensions.
- When marketing and operations interact to create external communications, customer expectations are more realistic than when these functions do not interact.
- The more vivid the advertisement, the stronger the effect influences customer expectations about quality.
- Advertising that features actual employees doing their jobs is more effective in communicating excellence than advertising that uses professional talent.
- The more positive employees feel about the company's advertising, the more willing they will be to provide service.

Self-Assessment Activity 3

Collect a few print advertisements of different service companies and identify the service quality dimension(s) being emphasised in them:

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9.7 BENEFITS OF SERVICE QUALITY TO THE ORGANISATION

A good or excellent service quality would result in customer satisfaction or delight. However, how does it positively impact the bottom lines of the companies? Broadly, this may be categorised into two parts. One is the improved ability of the firm to attract new customers - either through positive word of mouth or due to advertising of its superior quality offering. Secondly, its ability to retain existing customers, who feel satisfied with the service offering and become repeat customers. This would ultimately help in more significant revenues and profits. The positive relationship between perceived quality and profitability has been documented empirically. Buzzell and Galeet al., in 'The PIMS (Profit Impact of Marketing Strategies) Principles' (Free et al., 1987), have mentioned that in the long run, the most important single factor affecting a business unit's performance is the quality of its products and services relative to those of competitors. A quality edge boosts performance in two ways; in the short run, superior quality yields increased profits via premium prices. In the long run, it is the more effective way for business to grow.

Quality leads to both market expansion and gains in market share. PZB, in their research, have found a relationship between customers' perception of the quality of service rendered by a company and their willingness to recommend the company to their friends. There was a dramatic difference between the quality perception of customers who would and those who would not recommend their service companies to their friends. The customers who showed their intention to recommend had a significantly higher score of perceived service quality than those who mentioned that they would not recommend (scores of - 0.5 and - 2.3, respectively).

A summary of the results of some of the research which proves a positive relationship between service quality and profitability is given below. (Extracted from Zeitharnl, Berry and Parasuraman, "The Behavioural Consequences of Service Quality" Journal of Marketing, Vol. 60, April 1996, pp 31-46)

- Companies offering superior service achieve higher than average market share
- Mechanisms by which quality influences profits include increased market share and premium prices.
- Businesses in the top quintile of relative service quality, on average, realise an 8% higher price than their competition.
- The Hospital Corporation of America found a strong link between the perceived quality of patient care and profitability across its many hospitals.
- Improved service quality increases favourable behavioural intention and decreases unfavourable intention of customers. Behavioural intention can

indicate whether the customer will remain with or defect from the Company.

- Ford Motor Company has demonstrated that dealers with high service quality scores have higher than normal profit, return on investment and profit per new vehicle sold.
- A positive and significant relationship exists between customers' perception of service quality and willingness to recommend the company.
- A positive correlation exists between service quality and repurchase intention and willingness to recommend.

Rust, Zahorik and Keiningham have developed a model showing the relationship between service quality improvement and profitability, as shown in Figure 6.5. The model shows the relationship between the two as a chain of effects. A successful improvement effort results in improved service quality, resulting in increased perceived quality and customer satisfaction and probably reduced costs. Increased customer satisfaction, in turn, leads to higher levels of customer retention and also positive word of mouth. New customers attracted by positive word of mouth and retention of existing customers result in higher revenues and market share. The increased revenues, combined with the decreased costs, lead to greater profitability.

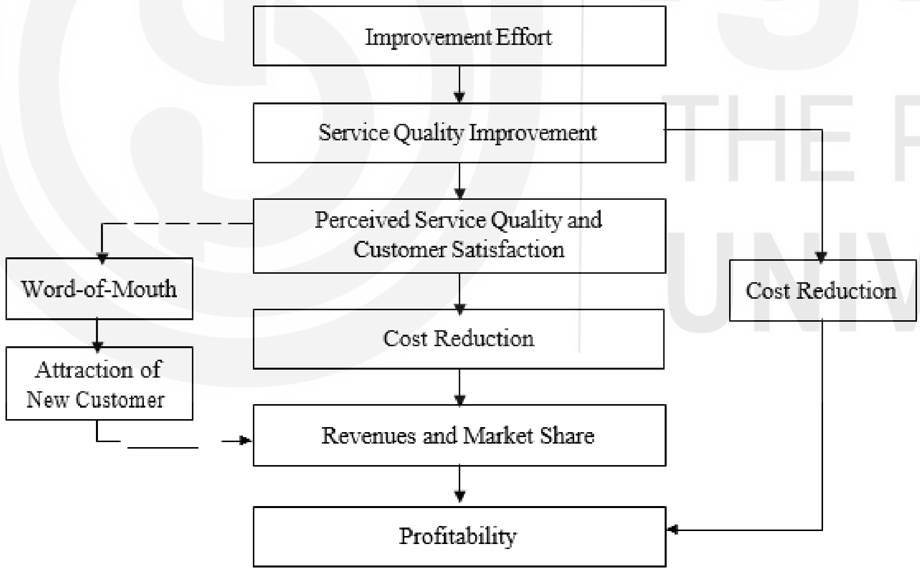

Figure 6.5: A Model of Service Quality Improvement and Profitability

Source: Return on Quality; Making Service Quality Financially Accountable, Rust, Zahorik and Keiningham, Journal of Marketing, April, 1995, p-60

The effect of word of mouth, which is difficult to measure in a practical business situation, is thus shown in dotted lines.

The most significant responsibility for a good service quality system rest with the management of the organisation. It should establish a policy for service quality and customer satisfaction. Successful implementation of this policy depends upon management commitment to developing and effectively operating a quality system. It should also provide sufficient and appropriate resources to implement the quality system and achieve its objectives. The resources include personnel as well as material resources. Human resources play an extremely critical role in service firms; therefore, proper attention must be given to employee motivation, training and development. Regular communication within the service organisation should be a feature at all levels of management. The service organisation should develop, establish, document, and implement a quality system as a means by which stated policies and objectives for service quality may be accomplished. The quality system elements should be structured to establish adequate control and assurance overall operational processes affecting service quality. The quality system should emphasise preventive action that avoids problems while not sacrificing the ability to respond to and correct failures, should they occur. Services companies can also benefit by benchmarking, defined as the 'continuous process of measuring products, services and practices against the most formidable competitors or those companies recognised as industry leaders. This concept was initially developed in the manufacturing sector but is now being used successfully in the service sector as well.

CEOs' Views on Benefits of Service Quality

Oberoi Hotel Chain: If you want to be ahead of your competitors, your quality must always be monitored. In today's competitive scenario, quality maintenance is not enough, you have to improve it. If you have quality, not only will your customer not leave you, but you can charge a higher price because customers are willing to pay.

Vysya Bank: The main objectives of the TQM drive are to achieve maximum possible customer satisfaction and employee satisfaction because only a happy staff member will go out of this way to offer satisfying services to the customer and improve the bottom line.

HDFC: The nature and quality of our service will determine our reputation in the market.

9.8 CASE STUDY: TURNAROUND THROUGH SERVICE QUALITY — BRITISH AIRWAYS

A case study, titled "Turnaround through Service Quality - British Airways", has been presented below to demonstrate how service quality can be a real winner in transforming an ailing organization into an industry leader and the way British Airways succeeded in achieving it.

Introduction

This illustrative case study has been developed to highlight the importance of service quality in achieving success for an airline and to determine the ways and means by which this could be achieved by British Airways (BA). The transformation of BA from a state-owned airline making considerable losses in the early 80s80s and known for its indifference to passengers to the highest profit-making airline in the world in the 90s and famous for its excellent quality of service was truly remarkable and spectacular. During this period (80's & 90's)privatised, the airlines' ' was privatized, the load factor consistently improved, and the shareholders' worth increased multifold. In several passenger surveys", BA was rated as the world's best airline. So, what were the reasons for this extraordinary turnaround of an ailing airline into an industry leader and how was this achieved?

After deregulation of the airline industry in the west, severalmany carriers became too focused on prices and lowering them that they simply overlooked the fact that the industry was built on service. Some airlines made the mistake of thinking of themselves as simply transportation companies which took people from one airport to another. However, to succeed, airlines have to think of themselves as service companies that happen to fly airplanes. Since most of the airlines operate the same planes and charge quite similar prices, distinguishing has to be done through quality of service. Good service delivered continuously and consistently is definitely a competitive advantage for any business and indeed so for airlines.

The Road to Success

Much of the success of BA is attributed to the policies and strategies initiated by Sir Colin Marshall, Chief Executive, who was appointed in 1983. The turnaround strategy focused on its customers and an obsession with improving service quality. The airline recognised that instead of being in the business of flying aeroplanes, it was, in fact, in the business of satisfying passenger requirements.

genuinelyBeing a genuinely customer-oriented company requires a lot of changes and initiatives, ranging from restructuring to empowering employees. The airline industry is a service industry in which the quality of the offering is not just dependent on the outcome (safe and timely arrival) but also on the way in which the service is delivered, i.e., the functional quality. BA's research confirmed this, finding that a customer's view of the airline depended not solely on the product but also on their reaction to the ambience, environment and culture they experienced with the airline. Since this involves much interaction between 'employees and customers' - 'the moments of truth' - the quality of these interactions significantgreatly impactshas a significant impact on the overall perception of quality judged by the customers. BA recognised the important role which the employees play in overall success of the airline and significant initiatives were taken for training, motivating the employees, to expose them to customer service and the critical role they play in achieving the goal of being a service-oriented organisation.

Programmes Undertaken

The first significant initiative taken in the early '80s80s was the "PUTTING PEOPLE FIRST" programme, which was gigantic in scope. This programme aimed to involve each of the 30,000 employees (The number was reduced from 59,000 in 1979 to reduce the costs) of BA and it did so. There was absolute commitment from the top management to make the effort a success, and this can be gauged by the fact that Sir Colin Marshall himself attended ninety-seven per cent of the courses. This course aimed to help the employees improve their skills as service providers. It was emphasised that it takes each employee's dedication to deliver quality. To achieve consistent quality, every individual in the organisation must believe that success depends on how well he or she serves the customer. This programme was just the starting point and was followed by a number of quality initiatives. " CUSTOMER FIRST TEAMS" were established whereby employees in small groups were encouraged to give their ideas for improving customer service. More than a hundred teams were set up, and out of thousands of ideas generated, over 700 were followed through and implemented.

realisingorganisedAfter realising the importance of internal marketing and the internal customers, BA organised a programme called "A DAY IN THE LIFE" in which employees from different departments appraised each other-their activities and functions. This gave an excellentthe employees an excellent opportunity to understand each department's working and know each other better. Since services management requires a great deal of coordination between marketing and operations, this effort helped achieve a finer fit between the two. Further a training course "MANAGING PEOPLE FIRST "was introduced for all managers. They were shown how to train and support their subordinates and be good leaders. In April 1992, BA launched another customer initiative entitled" WINNING FOR CUSTOMERS". Through all these programmes, it successfully dismantled the bureaucratic style of working and moving towards being a customer friendly airline.

Simultaneously, BA emphasized building the infrastructure and tangible elements of service as well. This and initiatives on employee improvement provided the customers a world class service. The marketing mix and market segmentation were carefully developed, and a number of new brands were created, which are pretty famous now. Adequate importance was placed on customer retention through programmes like Air Miles and Latitude' (Frequent et al.).

Providing world-class service went simultaneously with cost savings through increased efficiency. This area helped to raise its total productivity by fifteen per cent in three years during the beginning of the 90s. The airline remained profitable when others were making losses (including the year of the first Gulf War), and the industry was in recession in the early 90s.

Benchmarking with the best service in the industry and customer feedback were also vigorously taken. In order to provide the customer with a choice of schedules and networks, the foundation was laid for a world network through a web of stakes, marketing alliances and code-share deals. Growth, expansion and use of technological developments were undertaken. All these were adequately communicated to the customer. Saatchi and Saatchi developed a series of outstanding global TV commercials aimed at relationship marketing, which helped build BA's image as the world's favourite airline. The significant aspect of all its communication was credibility. BA delivered what it promised to the customers.

Conclusion

BA's efforts in employee training, focus on internal marketing, business efficiency programme, customer feedback initiatives, etc., all helped the airline in increasing not only profits but also improvement in all major areas - more on-time arrivals and departures, fewer complaints, better in-flight and ground services, better reservation and information services - i.e., an overall improvement in service quality. Improvement in service quality was the focus of all the initiatives.

The customer service orientation of the airline is rightly highlighted in the following statement of a cabin services manager of BA. "We like passengers to feel, when they finish their journey on one of our aircraft, that we have gone that extra mile for them, that we have delivered that extra drink, that extra mile, that extra piece of information".

9.9 LET US SUM UP

The unit described the concept of service quality to you. Service quality can be described as the delivery of excellent or superior service relative to customer expectations. Because of some basic differences between goods and services with regard to how they are produced, consumed, and evaluated, service quality requires a different approach as compared to goods quality. You have also learnt the underlying themes of service quality that it is more difficult for the customers to evaluate than goods quality, that service quality evaluations are made based on the the delivery outcome as well as the process of service delivery, and that service quality perceptions result from a comparison of customer expectations with actual service performance. Two specific models of service quality, the Gronroos Model and the Gaps Model, developed by Parasuraman, Zeithaml and Berry, have been discussed. Gronroos the customer perceives itrelated model suggests that the quality of a service as it is perceived by the customer has two dimensions, namely a technical or outcome dimension and a functional or process-related dimension. The gaps model identifies the four provider gaps responsible for the gap between customer perceptions and expectations (customer gap). The five dimensions of service quality - Reliability, Responsiveness, Assurance, Empathy and Tangibles were also explained to you.

This unit also explained the linkage between service quality and profitability to you. Servqual - a scale to measure service quality has been discussed and its possible applications. The final section of the unit gives an illustrative case study of British Airways to demonstrate the importance of service quality in achieving success for an organisation. It highlights the ways and means by which it was achieved.

Service quality is vital for the survival of any retail store. The factors affecting service quality are internal as well as external. Word of mouth, external communications and situational pressures are the external factors, while past experience and personal needs are internal. These decide the level of expectations. (This unit has been adapted from the IGNOU Course MS-65)

Key Learnings;

Service Quality vs. Goods Quality: Unlike tangible goods, services are intangible, inseparable from their production, variable, and perishable. Therefore, evaluating service quality is inherently more complex. Customers often assess service quality based on both the outcome (result of the service) and the process (how the service is delivered).

Models of Service Quality:

- Gronroos Model: This model emphasizes two dimensions of service quality – technical (outcome) and functional (process). The technical dimension relates to what customers receive as the end product of the service, while the functional dimension pertains to how the service is delivered.
- Gaps Model: Developed by Parasuraman, Zeithaml, and Berry, this model identifies specific provider gaps that can lead to discrepancies between customer expectations and perceptions. Addressing these gaps is crucial for enhancing service quality and customer satisfaction.

Dimensions of Service Quality: The five dimensions you mentioned - Reliability, Responsiveness, Assurance, Empathy, and Tangibles - serve as fundamental pillars for assessing and improving service quality. Each dimension provides insights into different aspects of the service delivery process and customer experience.

Linkage between Service Quality and Profitability: High service quality can positively impact profitability by fostering customer satisfaction, loyalty, and advocacy. Satisfied customers are more likely to make repeat purchases, recommend the business to others, and contribute to long-term revenue growth.

Servqual Scale: Servqual is a widely recognized scale used to measure service quality. It helps businesses assess gaps between customer expectations and perceptions, identify areas for improvement, and prioritize initiatives to enhance service quality effectively.

Case Study - British Airways: Analyzing real-world examples, such as the case study of British Airways, underscores the critical role of service quality in achieving organizational success. By focusing on service excellence, British Airways has been able to differentiate itself in a competitive market, attract and retain customers, and build a strong brand reputation.

Factors Affecting Service Quality: Both internal and external factors influence service quality perceptions. Understanding these factors, such as word of mouth, external communications, situational pressures, past experiences, and personal needs, is essential for managing customer expectations effectively and delivering exceptional service consistently.

9.10 KEYWORDS

Service Quality: Service quality is delivering excellent or superior service relative to customer expectations.

Credence Qualities: Aspects of services that a customer cannot evaluate even after 'consumption' but have perceived value.

SERVQUAL: A model to measure the gap between customer expectations and experience.

9.11 TERMINAL QUESTIONS

A) Objectives Type Questions

i) Multiple Choice Questions

1) According to Gronroos, Service quality can be broken into
   a) Internal and External Quality
   b) Technical and Functional Quality
   c) Goods and service quality
   d) None of the above
2) The knowledge and courtesy of employees and their ability to convey trust describe which of the service quality dimensions?
   a) Assurance
   b) Empathy
   c) Reliability
   d) Responsiveness
3) The gap between expected service and company perception of customer expectations can be because of
   a) poor service design
   b) failure to match demand and supply
   c) inadequate marketing research orientation
   d) overpromising
4) Which of the four service provider gaps can be closed in the marketing function alone?
   a) Gap 1

b) Gap 2

c) Gap 3

d) Gap 4

ii) True or False

5) Technical quality refers to the outcome, whereas functional quality refers to the process.

6) Customer's expectations are influenced by word-of-mouth, personal needs, experience and external communication

iii) Directions for questions 7-10. Below are examples of specific questions raised by customers regarding different dimensions of service quality. Identify the service quality dimensions.

7) Do the tools used by the service engineer look like a modem?

8) Is my bank statement free of errors?

9) Does someone in the bank recognise me as a regular customer?

10) When there is a problem with my bank statement, does the bank resolve it quickly?

Answers

1) b 2) a 3) a 4) a

5) True 6) True7) Tangibles 8) Reliability

9) Empathy 10) Responsiveness

B) Discussion Questions

1) What do you understand by the term Service Quality? What are the underlying themes of service quality?

2) Define the five dimensions of service quality.

3) Briefly describe the gaps model and explain the significance of the five gaps that the model identifies.

4) In the gaps model of service quality, which of the four service provider gaps do you believe is the most difficult to close and why?

5) Is good service quality a cost or a revenue producer? Discuss with the help of examples.

6) Using the SERVQUAL scale, create a questionnaire for a service firm you patronise or are familiar with.

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