

# Service quality concept of quality marketing essay

[Business](#), [Marketing](#)



## **2. 0 Introduction**

This chapter focuses on the relevant literature on the concept of service quality, customers' expectations and perceptions on service quality.

Moreover, the importance of service quality in banking industry will be examined. The Servqual model which will be used to measure service quality will also be reviewed and related articles are scrutinized.

## **2. 1 Service Quality/Concept of Quality**

Quality is the keyword for survival of organisations in the global economy (Rahaman et al., 2011). Crosby (1979) and Parasuraman et al., (1985) defined quality as "conformance to requirements" and according to Parasuraman et al., 1985, even though the substance and determinants of quality may be undefined, its importance to firms and consumers is unequivocal (Parasuraman et al., 1985). Delivering excellent service is a winning strategy. Quality service sustains customers' confidence and is essential for a competitive advantage (Berry et al., 1994). Quality in most services, occurs during service delivery, usually in an interaction between the customer and contact personnel of the service firm (Zeithaml et al., 1988). Many researchers (Bateson 1977, Berry 1980, Lovelock 1981, Shostak 1977, Parasuraman et al., 1985) asserted that most services are intangibles and due to this, a firm may find it difficult to understand how consumers perceive their services and evaluate service quality (Parasuraman et al., 1985). Zeithaml (1981) and Parasuraman et al., (1985) argued that most services cannot be counted, measured, inventoried, tested, and verified in advance of sale to assure quality. Parasuraman et al., (1985) suggest that

service quality is 'performance based' rather than objects, therefore "precise manufacturing specifications concerning uniform quality can rarely be set". Service quality is intangible, heterogenic, and inseparable, which makes service quality difficult to measure and understand (Parasuraman et al., 1985). Services have unique characteristics physical products do not have, such as intangibility, inseparability, variability, and perishability (Kotler, 1994; Rust et al., 1996; Lee et al., 2000). As an illustration, because services are usually produced and consumed simultaneously, customers often interact directly with the firm's personnel (Zeithaml and Bitner, 1996; Lee et al., 2000). Service is a key component of value that drives any company's success. Quality service helps a company maximize benefits and minimize non-price burdens for its customers (Berry et al., 1994). Service quality which has been conceptualized as an overall assessment of service by the customers, is a key decision criterion in service evaluation by the customers (Lewis and Booms, 1983; Ganguli and Kumar Roy, 2010). Duffy and Ketchand (1998) defined service quality as customers' appraisals of the service core, the provider, or the entire service organization. Most definitions also focus on the customer, and on the fact that services are provided as solutions to customer problems (Grönroos, 2001). We may conclude that service quality is linked to activities, interactions and solutions to customer problems (Edvardsson, 2005). The service quality in a dyadic service encounter is recognised as dependent upon the interactive process between the service provider and the service receiver (Svensson, 2001). Service quality is a measure of how well the service level delivered meets customer expectations, thereby delivering quality service means conforming to

customer expectations on a consistent basis (Lewis and Booms 1983, Parasuraman et al., 1985). The success behind superior service is to understand and respond to customer expectations. This is because customers compare perceptions to expectations when judging the quality of a firm's service offering (Parasuraman et al., 1988). Parasuraman et al., (1985) stated in their study for banking sector that " customers' perceptions of quality are influenced by various gaps which lead to service quality shortfalls and, in particular, that the quality perceived in a service is a function of the gap between customers' desires/expectations and their perceptions of the service that is actually received". The service quality is identified as the determinants of customers' satisfaction in banking (Naceur et al., 2002; Ghost and Gnanadhas, 2011). In addition, Parasuraman et al., (1985) described service quality as a form of attitude that results from the comparison of consumer expectations with service performance delivered. For Parasuraman et al., (1985) customer expectation and perception are the two key ingredients in service quality.

## **2. 2 Customers' Expectations of Service Quality**

Customer expectations are beliefs about a service that serve as standards against which service performance is judged (Zeithaml et al., 1993); what customers think a service provider should offer rather than what might be on offer (Parasuraman et al., 1988). Edvardsson et al., (1994) added that expectations are formed from a variety of sources such as the customer's personal needs and wishes while Dubey (2011) defined customers' expectations as beliefs about service delivery that functions as standards or reference points against which performance is judged. The latter argued that

expectations have a central role in influencing satisfaction with services and also pointed out that in the banking sector, expectations of the customers have undergone a great change with the availability of banking services everywhere through the help of technology.

### **2.3 Customers' Perceptions of Service Quality**

Services are produced, delivered and consumed during – in time and space – overlapping processes in which customers have a role as co-producers carrying out activities and deeds as well as being part of interactions for instance with front-line employees, other customers and technology which will influence or decide both process quality and outcome quality. Therefore, Edvardsson (2005) argued that service quality perceptions are formed during the production, delivery and consumption processes.

### **2.4 Importance of service quality in banking industry**

Recently, there has been a keen interest, especially in banking, where banks are looking at the life time value of the customer base rather than focusing on the cost of transactions (Ambler 1995, Mishra et al., 2010). Therefore, the strategic focus of the banks changed from production-oriented to customer-oriented. The attempts of the banks to increase the number of services, innovate new products, invest in hi-tech infrastructure and develop customer's relationship management systems to attract customers from rival banks with incentive schemes, package services, better service quality and competitive service standards (Dubey, 2011). Dubey (2011) sustained that customers become the focal point for the banking business so that bankers have to involve themselves totally in anticipating, identifying, reciprocating

and satisfying their customers in a mutually rewarding manner. Realizing this, there is a strong feeling in the modern banks that each individual employee working with them has to act as a marketing person who contributes to the total satisfaction of their customers. A banking firm uses resources like establishment, technology, marketing effort and employee quality to deliver a high level of service for the customers (Mukherjeel et al., 2003). Customers expecting better services, have begun demanding different services and their choice for delivery channels are changing (Dubey, 2011). As such new techniques are being adopted by banks and therefore banks should find out whether the customers are really satisfied with their services or not (Dubey, 2011). Moreover, a better service delivery helps banks to differentiate their offerings, extract more business from existing customers and attract new customers and thus leads to improvement in financial performance of the banks (Mukherjeel et al., 2003). Anderson and Sullivan (1990) and Mishra et al., (2010) argued that it is expensive to capture customers from other companies and the solution is to provide a greater degree of service improvement to make a customer switch from a competitor. Among others, provision of high quality services enhances customer retention rates, helps attract new customers through word of mouth advertising, increases productivity, leads to higher market shares, lowers staff turnover and operating costs, and improves employee morale, financial performance and profitability (Julian and Ramase-shan, 1994; Lewis, 1989; 1993; Yavas et al., 1997).

## **2. 5 Factors affecting the banking industry**

Changes in the financial services such as banks have arisen as a result of economic deregulation, government policies, globalisation and information communication technology and consequently resulted into intense competition in the financial service industry. In order to remain competitive, financial institutions are providing an increasingly assorted bouquet of financial services (Hinson et al., 2006). In the banking industry, bank branches alone are no longer sufficient to provide banking services to cater the needs of today's sophisticated and demanding customers. The provision of banking services through electronic channels (e-channels) namely ATMs, PC banking, phone banking and banking kiosks have provided an alternative means to acquire banking services more conveniently (Ong Hway-Boon and Cheng Ming Yu; 2003).

## **2. 6 Measuring Service Quality using SERVQUAL Model**

Defining service quality as a measure of excellence in terms of perceptions is not sufficient according to Langevin (1988) who maintains that " it is obvious that understanding customer expectations and meeting customer needs is the single most critical issue and determinant of service quality" (Duffy and Ketchand, 1998). Parasuraman et al., (1988) argue that the difference between perceptions of a service and expectations for that service which is more important and should be used as the measure of service quality. Early conceptualizations (Grönroos 1982, 1984; Parasuraman, Zeithaml, and Berry 1985) are based on the disconfirmation paradigm employed in the physical goods literature which suggests that quality results from a comparison of perceived with expected performance, as is reflected in Grönroos's (1982,

1984) seminal conceptualization of service quality that " puts the perceived service against the expected service" (Brady and Cronin, 2001). Grönroos (1982) identifies two service quality dimensions: functional quality which represents how the service is delivered and technical quality reflects the outcome of the service act, or what the customer receives in the service encounter (Brady and Cronin, 2001). In agreement with the propositions put forward by Grönroos (1982) and Smith and Houston (1982), Parasuraman et al., (1985, 1988) considered service quality as a difference between consumer expectations of ' what they want' and their perceptions of ' what they get' (Mishra et al., 2010). Parasuraman et al., (1985, 1988) defined perceived service quality as " a global judgment, or attitude, relating to the superiority of the service." The authors linked the concept of service quality to the concepts of perceptions and expectations in this way: " Perceived quality is viewed as the degree and direction of discrepancy between consumer's perceptions and expectations ". Thus, the authors suggested that customers' assessment of overall service quality is based on the gap between their expectations and their perceptions of performance levels. Parasuraman et al., (1985) presented a model of five service quality gaps, and then developed a scale, " SERVQUAL", which was adopted by many researchers (Chen et al., 2005). The table 2. 2 illustrates the conceptual model of service quality.

## **Table 2. 1: The conceptual model of Service Quality**

### **Source: Zeithaml et al., 1988**

The first gap shows the difference between consumer expectations and management perceptions of consumer expectations while the second gap



illustrates the difference between management perceptions of consumer expectations and service quality specifications. The third gap points out the difference between service quality specifications and the service actually delivered while the fourth gap discloses the difference between service delivery and what is communicated about the service to consumers. Finally, the fifth gap asserts the difference between consumer expectations and perceptions which in turn depends on the size and direction of the four gaps associated with the delivery of service quality on the marketer's side (Zeithaml et al., 1988). The construct of quality measured by SERVQUAL scale involves service quality (as opposed to object quality) (Mishra et al., 2010). SERVQUAL (Parasuraman et al., 1988) is perhaps the most widely-known and researched scale of service quality. It focuses on human interactions during the service encounter (Ganguli and Kumar Roy, 2010).

## **2. 7 Service quality dimensions**

Parasuraman et al, (1988) developed a 22-item instrument, called as SERVQUAL for assessing customer perceptions of service quality in service organizations. Initially, the researchers took ten dimensions of service quality- Tangibles, Reliability, Responsiveness, Competence, Courtesy, Credibility, Security, Access, Communication, and Understanding the customer- as the input to derive some items for the SERVQUAL scale. The new dimensions of service quality are five in number: tangibles, reliability, responsiveness, assurance and empathy. It has now a variety of applications in banking industry, especially in assessing customers' expectations and perceptions of service quality delivered by different banks. It also helps in identifying the areas of managerial attention for future improvement (Mishra

et al., 2010). While SERVQUAL can be used in its present form to assess and compare quality across a wide variety of firms, appropriate adaptation of the instrument may be desirable when only a single service is investigated (Parasuraman et al., 1988). It is argued that the key to ensuring good service quality perception is in meeting or exceeding what customers expect from the service. In an equation form, the measurement of service quality can be expressed as follows:

$$SQ_i = P_i - E_i$$

Where:  $SQ_i$  = perceived service quality of an attribute  
 $P_i$  = Average perception of individual 'i' with respect to performance of a service attribute  
 $E_i$  = Average expectation of individual 'i' with respect to performance of a service attribute  
Parasuraman et al., (1988) held that when perceived or experienced service is less than expected service, it implies less than satisfactory service quality. But, when perceived service is less than expected service, the obvious inference is that service quality is more than satisfactory. Parasuraman et al., (1988) posited that while a negative discrepancy between perceptions and expectations — a 'performance-gap' as they call it causes dissatisfaction, a positive discrepancy leads to consumer delight (Mishra et al., 2010). Closing this gap might require toning down the expectations or heightening the perception of what has actually been received by the customers or a little of both.

## 2. 8 SERVQUAL Dimensions

The SERVQUAL dimensions: tangibles, reliability, responsiveness, assurance and empathy are the basis for service quality measurement (Parasuraman et

al., 1988). The SERVQUAL model when assessed collectively, appears to be unambiguous from the others because it uses terms that describe one or more determinants of a quality service encounter (Brady and Cronin, 2001). Undeniably, the relative importance of the SERVQUAL factors may vary across each dimension depending on individual or situational differences. In turn, the SERVQUAL dimensions capture how consumers differentiate performance on these dimensions (Brady and Cronin, 2001). The five dimensions identified from empirical studies are:

### **2. 8. 1 Tangibles**

Tangibles include the physical evidence of the service- physical facilities, appearance of personnel, tools or equipment used to provide the service, physical representations of the service such as a plastic credit card or a bank statement and other customers in the service facility (Parasuraman et al., 1985). These are all factors that customers notice before or upon entering the bank. Such visual factors help consumers form their initial impressions and among others, the bank should enhance ambient conditions such as lighting, temperature and spatial layout of furnishings (Yavas et al., 1997).

### **2. 8. 2 Reliability**

Reliability which involves consistency of performance and dependability, expect that the firm performs the service right the first time and honors its promises. Specifically, it involves accuracy in billing, keeping records correctly and performing the service at the designated time (Parasuraman et al., 1985).

### **2. 8. 3 Responsiveness**

Responsiveness concerns the timeliness of service- giving prompt service, calling the customer back quickly- and the willingness or readiness of employees to provide service (Parasuraman et al., 1985). Yavas et al., (1997) asserted that responsiveness is similar to tangible elements and is closely linked to consumers' satisfaction with a bank and their continued patronage decision such as commitment.

### **2. 8. 4 Assurance**

Al-Hawary et al., (2011) adverted that the assurance dimension refers to the knowledge and courtesy of the company's employees and their ability to inspire trust and confidence in the customer towards the service company.

### **2. 8. 5 Empathy**

The empathy questions in the SERVQUAL battery deal with whether or not the bank gives individual attention to customers, has their best interest at heart, and understands the specific needs of customers. It is easy to see how banks with a seller's market mentality would be weak in this area. This situation may be depressing at first glance, but in reality offers excellent prospects for those banks willing to change and adapt (Yavas et al., 1997). Zeithaml et al., (1990) asserted that empathy is about easy access, good communication and understanding the customer.

## **2. 9 Criticisms and limitations of SERVQUAL**

However, Cronin and Taylor (1992) criticized SERVQUAL and proposed an alternative scale called SERVPERF which have all the SERVQUAL scale dimensions but uses only perception as a measure of customer perceived

service quality instead of the gap between expectation and perception as SERVQUAL approach (Ganguli and Kumar Roy, 2010). Further research works have been carried out with SERVQUAL, which either modified the dimensions or added new dimensions to the original five in order to accommodate for uniqueness of different types of service settings (Asubonteng et al., 1996; Babakus and Boller, 1992; Buttle, 1996; Carman, 1990; Lai et al., 2007) Limitations with SERVQUAL are highlighted by the authors themselves (Parasuraman et al., 1991) and in other research studies (Babakhus and Boller 1992; Carman 1990; Lewis 1993; Lewis and Mitchell 1990; and Smith 1992). They relate to respondent's difficulties with negatively worded statements; using two lists of statements for the same items, the number of dimensions of service being assessed; ease of consumer assessment and timing of measurement—before, during or after a service encounter (Mishra et al., 2010). Nevertheless, despite the criticism, SERVQUAL has been widely used in various contexts throughout other studies. The SERVQUAL instrument has been widely used because it " provides a basic skeleton... which can be adapted or supplemented to fit the characteristics or specific research needs of a particular organization..." ( Parasuraman et al., 1988).

## **2. 10 Previous Research close to the study**

Table 2. 2:

**Titles****Authors****Year****Organisation/University**

Banking Service Quality provided by commercial banks and customers satisfaction Al-Hawary, Alhamali, Alghanim 2011 Al al-Bayt University, Jordan King Saud University, Saudi Arabia Applying Servqual model and factor analysis in assessing customer satisfaction with service quality: The case of mobile telecommunications in Macedonia Zekiri 2011 South East European University An assessment on service quality in the Mauritian Banking Sector Agathee 2010 UOM Measuring perceived service quality at UAE commercial banks Jabnoun and Al-Tamimi 2002 College of Business and Management, University of Sharjah, Sharjah, United Arab Emirates Demographic discriminator of service quality in the banking industry Stafford 1996 The University of North Texas, Denton, Texas, USA.

Source: Fieldwork

**2. 11 Empirical Studies**

The following are the main findings of the above mentioned studies: Al-Hawary et al., (2011) examine the impact of constructs of service quality and customer satisfaction and the results of the study indicate that more emphasis should be placed on Assurance. The results also revealed that service quality can be used to predict customer satisfaction and that there is a positive relationship between service quality and customer satisfaction. FA was used to check the data reliability for the service quality. In Zekiri's study

(2011), it was found that overall service quality perceived by the customers was not satisfactory, implying in other words that expectations were higher than perceptions. Principal Component Analysis (PCA) was employed to find out the most important factor for customer's expectations and perceptions with service quality dimensions. FA revealed reliability as the most important factor for customer satisfaction and empathy as the most important for customers' expectations. Jabnoun and Al-Tamimi (2002) developed an instrument based on Servqual model to measure service quality in UAE banks and the instrument was tested for reliability and validity in their study. FA resulted into three reliable dimensions of banking service and the difference in significance between the instrument's dimensions obtained, was analysed and the human skill dimension was found to be more significant. Stafford (1996) used Servqual to determine which elements of service quality in the banking industry are more important to different customers. PCA of the items of Servqual was used to identify distinct elements of bank service quality and it resulted into seven dimensions. In the study, it was found that service quality was more important to women than to men. Agathee (2010) who aimed to determine the relationship between service quality and customer satisfaction in the Mauritian Banking sector, found a huge gap between customer's expectation and perception for reliability and responsiveness. The study reveals that there are no gender differences across all dimensions of service quality. FA will be reviewed in the subsequent chapter.

## **2. 12 Conclusion**

Chapter 2 reviewed the relevant literature on service quality, customer perceptions and customer expectations and SERVQUAL model. The importance of assessing service quality in the banking industry has been studied and related studies are looked into. In the next chapter, the research methodology will be defined, how respondents will be selected for the survey, limitations and methods for analyzing the result of the survey will be spelt out.