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## UNIT 8 SERVICE QUALITY

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### Objectives

After studying this unit you should be able to:

- define service quality,
- identify the reasons for a different approach to service quality,
  - a explain the determinants of service quality,
- understand service quality models and their application,
  - a understand the linkage between service quality and profitability, and
- measure service quality.

### Structure

- 8.1 Introduction
- 8.2 Reasons for Different Approach to Service Quality
- 8.3 Service Quality Models
- 8.4 Benefits of Service Quality to the Organisation
- 8.5 Measuring Service Quality
- 8.6 Communicating with Customers about Service Quality
- 8.7 Case Study
- 8.8 Summary
- 8.9 Self Assessment Questions
- 8.10 Further Readings

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### 8.1 INTRODUCTION

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Quality came to the service literature at the beginning of the 1980's. This is quite in contrast to the manufacturing sector wherein quality management has a long and rich history. In the twentieth century, especially the second half, increasing global competition forced many manufacturing companies to develop and adopt quality management practices aimed at increasing competitiveness by eliminating waste, increasing efficiencies, reducing costs, improving customer satisfaction and involving every member of the organisation in doing so.

However, from 1980's the interest in service quality has increased tremendously. One reason why service quality is becoming an important issue is that all the developed countries as well as a number of developing countries have become service economies. As explained in Block 1, in India also service sector is the largest contributor to GDP, ahead of agriculture as well as industry sector. Another reason for the rising importance of service quality is that it is proving to be a winning competitive strategy. More and more companies are emphasizing on providing excellent service quality in order to have a distinctive competitive advantage over their competitors in a world where establishing a long term technology based competitive advantage is becoming increasingly difficult.

The conceptualization and measurement of service quality perceptions have been one of the most debated and controversial topics in the service marketing literature.

The term 'Service Quality' has been defined in different ways. Given 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 perceptions' (Zeithaml, Parasuraman and Berry, 1990)
- Quality is whatever customers say it is, and the quality of 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 (Zeithaml and Bitner, 1996)
- Quality of a 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 the fact that service quality is essentially 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 customer's need and go beyond to delight the customers.

The principles and practices as applied to goods quality, are not sufficient for 'Service Quality'. This is because of some basic differences between goods and services with regards to how they are produced, consumed and evaluated.

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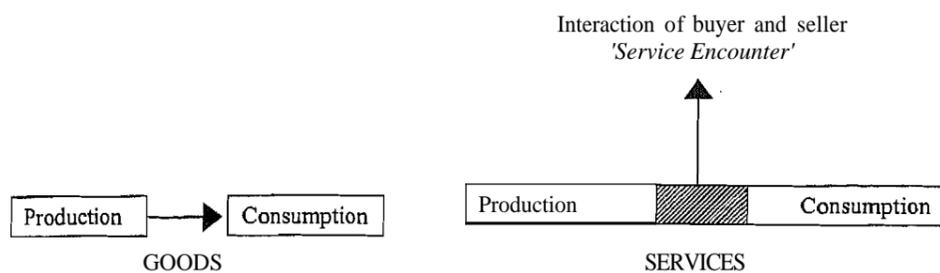
## 8.2 REASONS FOR DIFFERENT APPROACH TO SERVICE QUALITY

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You may recollect the characteristics of services that distinguish them from goods, as explained in Unit 1. This would help you in understanding the reasons for different approach to service quality, as explained below:

- i) Services are predominantly intangible in nature. Since services are performances, acts and experiences, it is not possible to have exact specifications for them, unlike physical objects like automobile, machine tools, television set etc. for which exact specifications can be set and communicated. Further, services can't be tested prior to sale to determine its quality. That means services are low in 'search qualities'- attributes that a consumer 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 which consumers find difficult to evaluate even after purchase and consumption i.e. 'credence qualities'. (Please refer Unit 4 giving the continuum of goods and services high in search, experience and credence quality). Therefore, the criteria customers use to evaluate services is more complex, thereby increasing the difficulties of marketers.
- ii) Another very important aspect requiring separate treatment of service quality is the 'inseparability' aspect of services. The inseparability of production and consumption in services reflect the more active part required from the service provider as well as the consumer. It is in this interaction where usually the quality is judged by the customer.

The interaction between production and consumption in services as shown in Figure 8.1 may be broad e.g. restaurants or air travel or it may be thin e.g. trunk call through telephone exchange. This nature of services whereby customer often has to be in service factory makes it difficult for service providers to ensure quality before service is rendered to the customers. This is quite opposite to goods where they are engineered, produced and quality



controlled prior to sending them to customer for consumption.

- 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 organizations.

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

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

### 8.3 SERVICE QUALITY MODELS

Considering the complex nature of how customers judge service quality, number of researches have been done in the area and models have been developed to explain the nature of service quality evaluation. However, two major 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, the 'American' perspective (Parasuraman, Zeithaml and Berry) uses five service quality dimensions. The two models are discussed in detail here below:

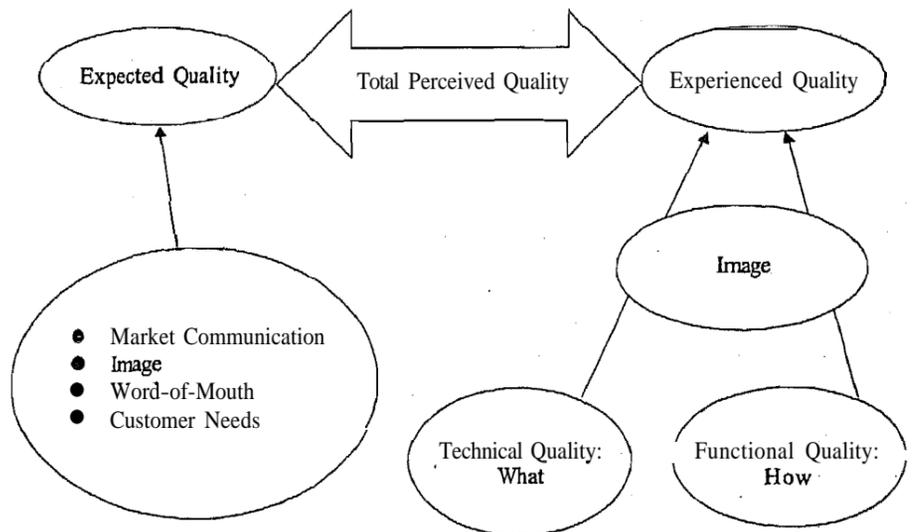
#### Gronroos Model

This model suggests that the quality of a service as it is perceived by customers 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 as 'technical quality' and 'functional quality'. For example, a restaurant customer will judge the service on the basis of 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 on the basis of cure element (technical quality) but on 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 consumer's overall quality perception. Also, in certain cases the technical quality or the outcome may be difficult for the customers to judge (remember credence quality discussed in the Block 1 and referred earlier in this unit) and in such cases the quality perceptions will be based to a large extent on functional quality.

The quality perception process includes much more than just the two dimensions of service quality. 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 expectations of the customers are very high or unrealistic. Conversely, the total perceived quality may be high even if experienced quality is not very good, if the customer has very low expectation. Fig 8.2 brings about the perceived service quality model.

Figure 8.2: Gronroos 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 on 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 rather by the gap between the expected and experienced quality.

The expected quality depends on a number of factors like market communication, image, word of mouth communication, corporate image and customer needs, few of which are directly under firm's control and others only indirectly controlled, Factors under 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. The 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 on changing over period of time.

**Activity 1**

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

- a) Airlines
- b) Retail Banking – savings account
- c) Hotels
- d) Health Care

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**Gaps Model of Service Quality**

Parasuraman, Zeithaml and Berry (PZB) have done extensive work in the area of 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 simply, 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 (example : no waitings at the hospital).
- Assurance:** Employee's knowledge and courtesy and their ability to inspire trust and confidence. (example : knowledgeable mechanics at auto service centre).
- Empathy:** Caring, individualized attention given to customers (example: 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).

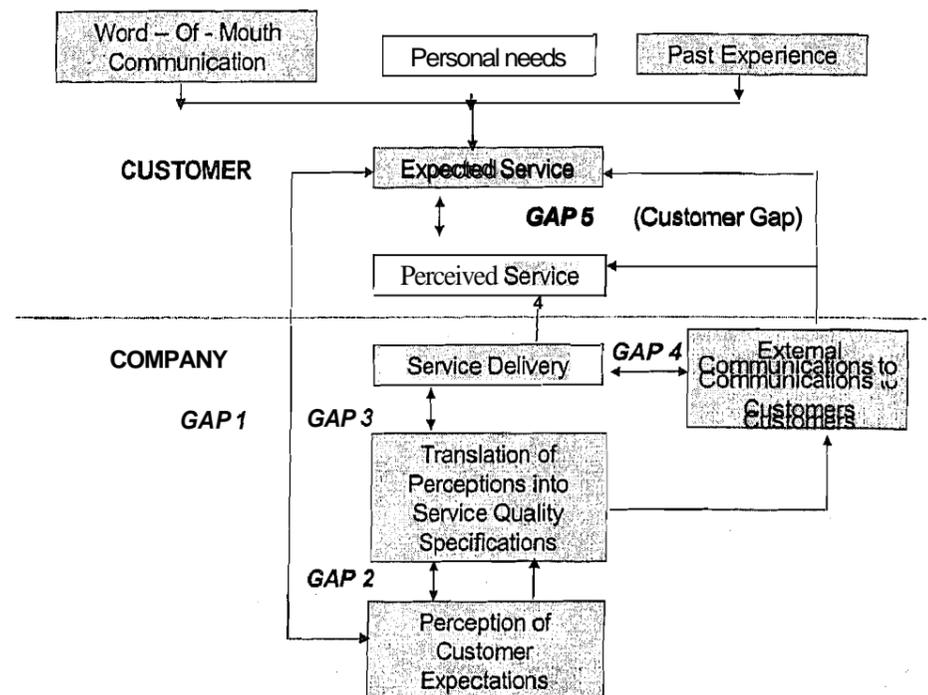
Of the five dimensions, reliability is considered to be the most important one. It refers to the company delivering on its promises. In a competitive market place it is absolutely essential for a firm to be reliable in order to attract customer loyalty. Assurance dimension is likely to be of great importance in case of services perceived to be of high risk by the customers or services which are rich in credence 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 service company can make the customer feel unique and special whereas responsiveness dimension emphasizes promptness in dealing with customer's requests, complaints or problems.

PZB further focused on finding the deficiencies within companies that result in poor quality perceptions by customers. The reasons for 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 right 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 8.3.

Figure 8.3: Gaps Model of Service Quality (PZB)



- 1. Provider Gap 1 : Not knowing what customers expect:** This gap is the difference between customer expectations of service and company understanding of these expectations. Service firms executive may not always understand what features connote high quality to consumers 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. Provide Gap 2 : Not selecting the right 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 that customer expectations are unreasonable or unrealistic. Also availing of other factors like resources constraints, market conditions and/or management indifference – may result in discrepancy between company perception of consumer expectation and the actual specification established for a 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, a high quality service delivery is not a certainty. The main reason for this gap is involvement of human beings in the service delivery – especially the role of contact personnel. The variability in employee performances makes it hard to maintain standardized quality. Failure to match demand and supply, customers not fulfilling their roles and problem with service intermediaries may also result in creating this gap.

4. *Provider Gap 4: Not matching performance to promises:* This is essentially a gap between what you deliver and your external communication. Media advertising and other communication by a firm can affect consumer expectations. Therefore, a company must be certain 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 perception of quality when the promises are not fulfilled.

In order to bridge the gap between customers' perceptions and expectations, the provider gaps 1 to 4 are required to 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
<b>Gap 1</b>	<ul style="list-style-type: none"> <li>● Lack of marketing research orientation</li> <li>● Inadequate upward communication</li> <li>● Too many levels of management</li> </ul>	<ul style="list-style-type: none"> <li>● Communication with customers</li> <li>● Conduct marketing research</li> <li>● Encourage upward communication</li> </ul>
<b>Gap 2</b>	<ul style="list-style-type: none"> <li>● Inadequate management commitment to service quality</li> <li>● Perception of infeasibility</li> <li>● Absence of goal setting</li> <li>● Absence of customer-driven standards</li> <li>● Resource constraints</li> </ul>	<ul style="list-style-type: none"> <li>● Top management commitment</li> <li>● Develop Service Quality goals</li> <li>● Standardization of tasks</li> <li>● Address feasibility of customer expectations</li> </ul>
<b>Gap 3</b>	<ul style="list-style-type: none"> <li>● Deficiencies in human resource policies</li> <li>● Failure to match supply and demand</li> <li>● Customers not fulfilling roles</li> </ul>	<ul style="list-style-type: none"> <li>● Teamwork, Empowerment, Role clarity, Training</li> <li>● Synchronize demand &amp; capacity</li> <li>● Communicating with customers</li> </ul>
<b>Gap 4</b>	<ul style="list-style-type: none"> <li>● Overpromising</li> <li>● Ineffective management of customer expectations</li> <li>● Inadequate horizontal communication</li> </ul>	<ul style="list-style-type: none"> <li>● Avoid propensity to overpromise</li> <li>● Increase horizontal communication</li> <li>● Managing customer expectations</li> </ul>

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

**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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**8.4 BENEFITS OF SERVICE QUALITY TO THE ORGANIZATION**

A good or excellent service quality would result in customer satisfaction or customer delight. But how does it have a positive impact on the bottom lines of

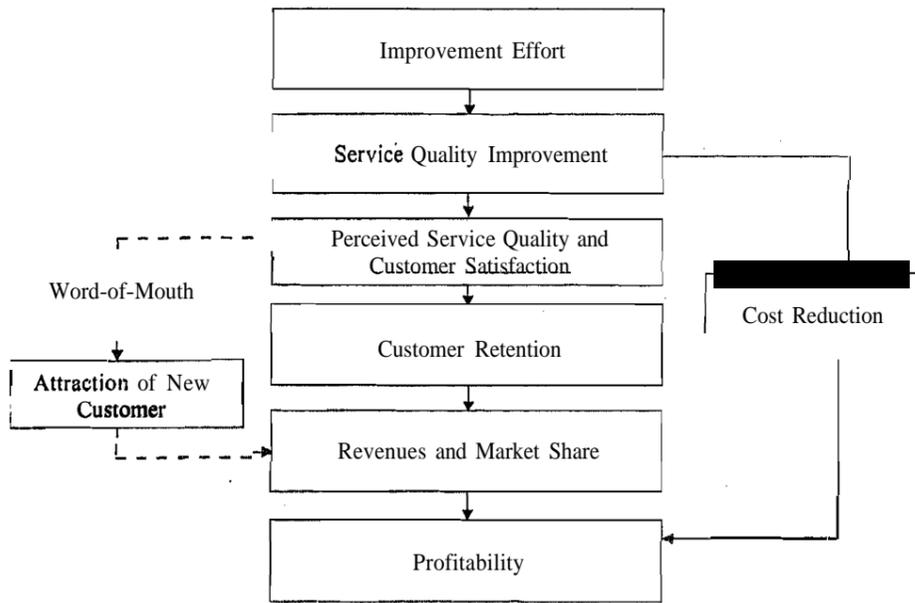
the companies. Broadly, this may be categorized into two parts. One is the improved ability of the firm to attract new customers - either through positive word of mouth or due to advertising of its superior quality offering. Secondly, its ability to retain existing customers, who feel satisfied with the service offering and become repeat customers. This would ultimately help in greater revenues and profits. In fact, the positive relationship between perceived quality and profitability has been documented empirically. Buzzell and Gale in 'The PIMS (Profit Impact of Marketing Strategies) Principles' (Free Press, NY, 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 and in the longer 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 out 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 high score of perceived service quality than those who mentioned that they wouldn't recommend (scores of - 0.5 and - 2.3 respectively).

A summary of results of some of the researches which prove a positive relationship between service quality and profitability is given below. (Extracted from Zeithaml, 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 normal market share
- Mechanism by which quality influences profits include increased market share and premium prices.
- Business in the top quintile of relative service quality on average realize an 8% higher price than their competition.
- The Hospital Corporation of America found a strong link between perceived quality of patient care and profitability across its many hospitals.
- Improved service quality increases favourable behaviour intention and decreases unfavourable intention of customers. Behavioural intention can be viewed as indication that signal whether 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.
- Positive and significant relation exists between customers perception of service quality and their willingness to recommend the company.
- Positive co-relation exists between service quality and repurchase intention and willingness to recommend.

Rust, Zahorik and Keiningham have developed a model showing relationship between service quality improvement and profitability as shown in Figure 8.4. The model shows relationship between the two as a chain of effects. A successful improvement effort results in an improvement in service quality' which in turn results in increased perceived quality and customer satisfaction and probably reduced costs. Increased customer satisfaction in turn leads to



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

higher level of customer retention and also positive word of mouth. New customers attracted by positive word of mouth coupled with retention of existing customers result in higher revenues and market share. The increased revenues combined with the decreased costs, lead to greater profitability, The effect of word of mouth, which is difficult to measure in practical business situation, is thus shown in dotted lines.

The biggest responsibility for a good service quality system rests with the management of the organization. It should establish a policy for service quality and customer satisfaction. Successful implementation of this policy depends upon management commitment to the development and effective operation of a quality system. It should also provide sufficient and appropriate resources to implement the quality system and achieve the quality objectives. The resources include personnel as well as material resources. Human resources play an extremely critical role in service firms and therefore proper attention has to be given to employee motivation, training and development. Regular communication within the service organization should be a feature at all levels of management. The service organization should develop, establish, document, 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 over all operational processes affecting service quality. The quality system should emphasize preventive action that avoid the occurrence of problems while not sacrificing the ability to respond to and correct failures, should they occur. Services companies can also benefit by benchmarking which is defined as the 'continuous process of measuring products, services and practices against the toughest competitors or those companies recognized as industry leaders'. This concept was originally developed in the manufacturing sector, but is now being used successfully in service sector as well.

OBEROI HOTEL CHAIN	It you want to be ahead of your competitors, your quality has to be monitored all the time. In today's competitive scenario, maintenance of quality is not enough, you have to improve it. If you have quality not only will your customer not leave you, you can charge a higher price because customers are willing to pay.
VYSYA BANK	The main objectives of the TQM drive is to achieve maximum possible customer satisfaction and employee satisfaction because ,only a happy staff member will go out of his way to offer satisfying services to the customer and improving the bottom line.
HDFC	The nature and quality of our service will determine our reputation in the market.

Source: Business Today, 3<sup>rd</sup> Anniversary Issue, Jan 7-21, 1995 p. 238, 259 & 268

## 8.5 MEASURING SERVICE QUALITY

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 since then. 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 developers of the scale 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 largely concerns whether the outcome of service delivery was as promised. The other four dimensions relate to the process of service delivery 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 consumer think should be provided and what they think actually has been provided. Respondents complete a series of scale, 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 same dimension. When perceived performance ratings are lower than expectations this is sign of poor quality; the reverse indicates good quality.

### Example:

A) Expectation Statements (E)	Strongly Disagree					Strongly Agree	
	1	2	3	4	5	6	7
● 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) <sup>SV</sup> Corresponding Perception Statements (P)	Strongly Disagree					Strongly Agree	
	1	2	3	4	5	6	7
● 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, 5 on reliability, 4 on responsiveness, 4 on assurance and 5 on empathy) – i.e. a set of 22 statements covering expectations and a set of 22 corresponding statements covering perceptions. Expectations and perceptions statements includes aspects like (i) equipments, 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 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 in the servqual instrument developed an interview schedule – 'Dineserv.per' for continual assessment of customers' perceptions regarding 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 8.1 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 find out relative importance of service quality dimensions as considered by the customer,
- iii) To compute overall weighted SERVQUAL score, which takes into account the relative importance of each dimension as well.
- 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 a number of studies. Though it is a widely used instrument, some researchers have also identified problems in using the instrument as well as the gap theory methodology. Cronin & Taylor suggest that instead of measuring expectations and perceptions, measurement of performance alone would be enough for measuring service quality. They have suggested that the performance based scale developed (SERVPERF) is efficient in comparison with the SERVQUAL scale as it reduces by 50% the number of items that must be measured,

## Exhibit 8.1

## The "DINESERV.PER" Interview

Introduce yourself, say that you're trying to measure the quality of the service at your restaurant, since you're 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). If their feeling is **between** those extremes, they should assign an intermediate number.

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) has a decor in keeping with its image and price range.
- 5) has a menu that is easily readable.
- 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 rest rooms that are thoroughly clean.
- 9) has dining areas that are thoroughly clean.
- 10) has comfortable seats in the dining room,
- 11) serves you in time in the dining room.
- 12) quickly corrects anything that is 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 has 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 completely.
- 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 who are sensitive to your individual 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: A tool for measuring Service Quality in Restaurants, Cornell Hotel and Administration Quarterly", April 1995, p.59

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

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

- a) **Transaction Surveys:** This type of research involves **tracking** the information about one or all of the key service encounters with the customer. These surveys are also 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. survey of airlines passengers while disembarking or that of a hotel guest while checking out. These surveys also provide the management 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. We will discuss the issue of complaint management in detail in the last unit of this block.
- c) **Mystery Shopping:** In this method outside research companies are used by the service organization who 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 as 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 be done to increase the quality of service and their satisfaction. This can be very effective in business – to – business situation. This primarily concerns with 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 a period of time.
- e) **Intermediary Research:** This form of research is useful in services where intermediaries form an important part of the service delivery process and have a major direct contact with customers. In such situation intermediaries can provide valuable feedback to the service firm regarding quality of service as perceived by the customers.

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## 8.6 COMMUNICATING WITH CUSTOMERS ABOUT SERVICE QUALITY

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Communication with customers involves listening to them and keeping them informed. The ISO standard brings about the various elements of an 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.
- Explaining 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 real needs of the customer.

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

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

- Focusing on the most important 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 functioning do not interact.
- The more vivid the advertisement, the stronger the effect in influencing 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 advertising that the company runs, the more willing they will be to provide service.

**Activity 3**

Collect a few print advertisements of different service companies and identify the service quality dimensions(s) being emphasized in them.

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

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**8.7 CASE STUDY: TURNAROUND THROUGH SERVICE QUALITY — BRITISH AIRWAYS**

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**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 airlines making huge losses in early 80's and known for its indifference to passengers to the highest profit making airline in the world in 90's and famous for its excellent quality of service, was truly remarkable and spectacular. During this period (80's & 90's) the airlines was privatized, the load factor consistently improved and the shareholders' worth increased multifold. In a number of 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 this was achieved?

After deregulation of airline industry in the west, a number of carriers became too focused on prices and lowering them that they simply overlooked the fact that the industry was basically built on service. Some airlines made the mistake of thinking themselves as simply transportation companies which took people from one airport to another. However, to succeed airlines have to think themselves as service companies that happen to fly airplanes: Since most of

the airlines operate same planes, charge quite similar prices, to distinguish it has to be done through quality of service. Good service, delivered on a continuous and consistent basis is definitely a competitive advantage for any business and surely 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 revolved around *a focus on its customers and an obsession with improving service quality*. The airline recognized that instead of being in the business of flying airplanes, it was in fact in the business of satisfying passenger requirements.

To be a truly customer oriented company required a lot of changes and initiatives to be taken ranging from restructuring to empowerment of employees. 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 researches confirmed this, finding that a customer's view of the airline depended not solely on product, but their reaction to the ambience, environment and culture they experienced with the airlines. Since this involves a lot of interaction between employees and customers - 'the moments of truth' - the quality of these interactions have a great impact on overall perception of quality judged by the customers. BA recognized the important role which the employees play in overall success of the airline and major initiatives were taken for training, motivating the employees, to expose them to think about customer service and the critical role they play in achieving the goal of being a service oriented organization.

### **Programmes undertaken**

The first major initiative taken in early 80's was the "PUTTING PEOPLE FIRST" programme which was gigantic in scope. The aim of this programme was 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 actually 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 was aimed to help the employees in improving their skills as service providers. It was emphasized that it takes the dedication of each employee to succeed in delivering quality, To achieve consistent quality, every individual in the organization 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 number of the 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.

BA, realizing the importance of internal marketing and the internal customers, organized a programme called "A DAY IN THE LIFE" in which employees from different departments appraised each other of their activities and functions. This gave a good opportunity to the employees to understand the working of each department and knowing each other better. Since services management requires a great deal of co-ordination between marketing and operations, this effort helped in achieving 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 sub-ordinates and be good leaders. In April 1992, BA launched another customer initiative entitled "WINNING FOR CUSTOMERS". Through all these programmes, it was

successful in dismantling the bureaucratic style of working and moving towards being a customer friendly airline.

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

Providing world class service went simultaneously with cost savings through increased efficiency. This was one area which helped to raise its total productivity by fifteen per cent in three years during the beginning of 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 early 90s.

Benchmarking with the best service in the industry and customer feedback were also vigorously taken. In order to provide the customer a choice of schedules and networks, 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 properly communicated to the customer. Saatchi and Saatchi developed a series of outstanding global TV commercials aimed at relationship marketing which helped in building BA's image as world's favourite airline. The significant aspect of all its communication was the 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 not only increasing profits but also improvement in all major areas - more on time arrivals and departures, fewer complaints, better inflight and ground services, better reservation and information services - i.e. an overall improvement in service quality. In fact, 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 aircrafts, that we have gone that extra mile for them, that we have delivered that extra drink, that extra smile, that extra piece of information."

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## 8.8 SUMMARY

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The unit described the concept of service quality to you. The term 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 regards 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 consumers to evaluate than goods quality, that service quality evaluations are made on the basis of outcome as well as process of service delivery and that service quality perceptions result from a comparison of consumer expectations with actual service performance. Two specific models of service quality, Gronroos Model and Gaps Model developed by Parasuraman,

Zeithaml and Berry have been discussed. Gronroos models 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 which are responsible for the gap between customer's 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 to you the linkage between service quality and profitability. Servqual – a scale to measure service quality has been discussed along with its possible applications. The final section of the unit give an illustrative case study of British Airways to demonstrate the importance of service quality in achieving success for an organization and highlights the ways and means by which it was achieved.

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## 8.9 SELF ASSESSMENT QUESTIONS

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### 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 describes which of the service quality dimensions?
    - a) Assurance
    - b) Empathy
    - c) Reliability
    - d) Responsiveness
  - 3) The gap between expected service and company perception of consumer 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, past experience and external communication

- iii) Directions for questions 7-10. Given 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 modern?
  - 8) Is my bank statement free of errors?
  - 9) Does some one in the bank recognize me as a regular customer?
  - 10) When there is a problem with my bank statement, does the bank resolve them quickly?

**Answers**

- |            |                    |              |                |
|------------|--------------------|--------------|----------------|
| 1) b       | 2) a               | 3) c         | 4) a           |
| 5) True    | 6) True            | 7) 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. Give suitable examples of each dimension.
- 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 in the most difficult to close and why?
- 5) Is good service quality a cost or a revenue producer? Discuss with the help of examples.
- 9) Using SERVQUAL scale, create a questionnaire for a service firm that you patronize or are familiar with.

**8.10 FURTHER READINGS**

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