Chapter-2

The Conceptual Framework
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THE CONCEPTUAL FRAMEWORK

2.1 THE NATURE AND CHARACTERISTICS OF SERVICES

Hoffman & Bateson (1997) defined service quality as an attitude that is established by long term assessment of overall performance. Service quality is generally considered as delivery of an excellent or high value service to the customer preferably exceeding his expectations (Tahar, 2008). According to (Gronroos, 2000) services are- an activity of more or less intangible nature that normally, but not necessarily, takes place in interactions between the customer and service employees and/or physical resources or goods and/or the service provider, which are provided as solutions to clients problems. Some researchers define services as processes that are produced and consumed with the involvement of customers in the production and consumption of services (Edvardsson, 2005). The American Marketing Association defines services as - “Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods.”

The most basic distinguishing characteristic of services is Intangibility. Because services are performances or actions rather than objects, they cannot be seen, felt, tasted or touched in the same manner in which goods can be sensed (Zeithaml et al. 1985). The intangible nature of service is argued to be one of the fundamental characteristics of service which differentiates services from goods (Bateson 1979).

Heterogeneity reflects the potential for high variability in service delivery (Zeithaml et al. 1985). The quality and essence of service can vary from producer to producer, from customer to customer and from day to day. Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. Inseparability of production and consumption involves simultaneous production and consumption of services. Where goods are first produced, then sold and then consumed, services are first sold then produced and consumed simultaneously (Regan 1963).

The fourth characteristic of services highlighted in the literature is Perishability. Perishability refers to the fact that services cannot be saved, stored,
resold or returned. Because services are performances that cannot be stored service businesses frequently find it difficult to synchronize supply and demand (Zeithaml et al. 1985). Onkvisit & Shaw (1991) suggest that services are “time dependent” and “time important” which make them very perishable.

Therefore, services could be seen as more intangible than goods, more difficult to separate the production and consumption, more heterogeneous and more perishable than goods (Wilson et al., 2008).

2.2 SERVICE QUALITY

As discussed earlier services have the four characteristics; intangibility, heterogeneity, perishability and inseparability, which make the concept of service quality elusive and abstract (Ladhari, 2009a, Lin 2010) which complicate the conceptualization and measurement of service quality (Cronin & Taylor, 1992, Lee 2007; Marshall & Johnston 2009). To understand service quality, the organization must —define how service quality is perceived by the consumer and determines in what way service quality is influenced (Gronroos, 2007a, p.57). Gronroos (1984) defines perceived service quality as a consumption process in which the customer is part of the service process that leads to an outcome or result. The way the customer perceives the service process at the time of the service is more important than the outcome of the service. According to Parasuraman, Zeithaml & Berry (1988) service quality is the customer’s judgment of overall excellence of the service or the difference between customer’s expectation and the actual service performed or perceived. The customer’s expectation and perception of the service becomes important when the customer thinks back to see if the perception exceeded the expectations (Siu & Cheung 2001, Kang & James, 2004).

Service quality is viewed as either a difference between the expectations and perception of the service or as an attitude based view. The first view was suggested by Parasuraman, Zeithaml & Berry (1988) who view service quality as a comparison between customer’s expectations and perception of service quality. They developed a model based on the difference between the customer’s expectations and perception of service quality. Cronin & Taylor (1992) argue that service quality should be viewed as the customer’s attitude towards a service. This view supports the measurement of service quality based on the perception (performance only) of service quality. Rust &
Oliver (1994) concur with the idea that perceived service quality is similar in meaning to attitude which includes the overall judgment of a product or service.

Researchers as well as managers are interested in the area of service quality because it is known to reduce costs, increase customer satisfaction (Chen 2008, Howat, Crilley & McGrath, 2008), increase customer loyalty and retention (Sureshchandar, Rajendran & Aanatharaman, 2002; Wong & Sohal, 2003; Bontis & Booker, 2007; Prayag, 2007; Howat, Crilley & McGrath, 2008), increase repurchase intention (Perez et al., 2007; Chen, 2008) and make the organization more profitable (Asubonteng; Mccleary & Swan, 1996; Buttle, 1996; Sivadas & Prewitt, 2000; Seth, Deshmukh & Vrat, 2005; Edvardsson, 2005). Furthermore, research shows that service quality has an impact on company performance, attracts new customers, is linked to employee and customer satisfaction and enhances the image of the organisation, (Seth, Deshmukh & Vrat, 2005; Akbaba, 2006). According to Palmer (2008) there is a clear connection between improving service quality and higher profit; improving service quality was found to have a positive effect on the company’s stock value and in an empirical study in the United Kingdom, it was found that customer satisfaction is linked to profit. —The competitive advantage of successful service providers and retailers is often explained with a logic wherein service quality contributes to customer value, resulting in increased satisfaction and behavioural intentions, eventually creating loyalty that manifests itself in enhanced profitability (Rintamaki, Kuusela & Mitronen, 2007, p.621).

2.3 SERVICE QUALITY MODELS

Most service quality models suggest a multidimensional conceptualisation of service quality that leads to the measurement of service quality from a consumer's perspective (Akinci, Atilgan-Inan & Aksoy, 2010; Martinez & Martinez, 2010). There is a need to have a clear understanding of the service quality models because they help managers to identify quality problems which leads them to plan programmes to improve the quality which in turn will lead to better performance (Seth, Deshmukh & Vrat, 2005; Ahmad et al., 2009). Two major schools of thought dominate the literature; the American school and the Nordic school (Karatepe, Yavas & Babakus, 2005; Caro & Garcia, 2007) and researchers generally adapt one of the two schools (Ahmad et al., 2009).
2.3.1 The Nordic School

The main contributor to the Nordic school service quality model is Gronroos. This model is not as widely known as the American school (Woodall, 2001; Kang & James, 2004). Gronroos' service quality model consists of three dimensions: technical quality, functional quality and image (Gronroos, 2007a). The technical or outcome dimension is usually more objectively measured than the functional quality (Palmer, 2008) because it is the quality that can be quantified, for example, arriving at a destination using the metro.

The technical quality includes what the customer receives as a result of the interaction with the service provider. For example, an outcome of the interaction with a bank employee could be that the customer was granted a loan (Palmer, 2008). On the other hand, the functional or process-related dimension is more of a subjective evaluation by the customer and includes how the service was performed by the service provider. For instance, the way employees deal with customer while they are waiting for the service (Palmer, 2008). This might also include the behaviour, appearance and the way the employees communicate with the customer which can influence the customer's evaluation of the service, —how the customer gets the technical outcome (Gronroos, 2007a, p.61).

The image which refers to the company image is the way the consumer perceives the firm and to a great extent is built up of two dimensions, the technical dimension and the functional dimension (Gronroos, 2007b). Another factor which influences the image of a company is the advertising that is undertaken by the company. If a customer has a positive image of the organization, he will tolerate small mistakes provided that these mistakes are not repeated. However, a negative image makes the customers less tolerant to the mistakes of the service provider (Kang & James, 2004). Sometimes Gronroos presents image as a dimension and sometimes he presents it as a factor that influences the technical and functional quality dimensions and does not refer to it as a dimension. "Gronroos model" is viewed as a three dimensional model or a two dimensional model (Gronroos, 2007b; a) depending on whether image is included or excluded as a dimension.
Figure 2.3.1 shows experienced service has only three dimensions; technical quality, functional quality and image. On the other hand, the expected service has many components such as marketing, communication, sales image and word of mouth (Gronroos, 2007b). The perceived service quality is determined by the experienced service and expected service. The customer has a good perception of service quality when the experiences meet the expectations (Gronroos, 2007b). For a customer to have a positive experience the experienced quality must be higher than the expected quality in order to close the gap. The perceived service quality is not a result of the technical and functional quality dimensions only but a result of the gap or differences between the expected quality and experienced quality (Gronroos, 2000).

According to Gronroos (2000) to achieve good service quality seven criteria must be met. These criteria are presented below and are based on how the customers' view service quality:

- **Professionalism and skills**: refers to the skills that the employees of an organisation have in dealing with problem solving (outcome dimension).
- **Attitude and Behaviour**: the way the employees deal with customers in a friendly manner (process dimension).
- **Accessibility and Flexibility**: this refers to the operating hours of the organisations and the organisation’s systems that make it easy for customers to receive the service (process dimension).
• **Reliability and Trustworthiness**: this refers to the customer's ability to rely on the service provider to deliver the promised service (process dimension).

• **Service Recovery**: the way the service provider deals with the service when things go wrong and the way they rectify the situation (process dimension).

• **Serviscape**: refers to the physical aspects of the organisation that support a pleasurable experience (process dimension).

• **Reputation and Credibility**: refers to the faith the customer has in the service provider and that they received value for their money (image)

Another service quality model which is part of the Nordic school (Athanassopoulos, 2000) is the three dimensional model of service quality (Lehtinen & Lehtinen, 1991), which includes physical quality, interactive quality and corporate quality. Physical quality is the quality that results from the physical element of the service. It includes the physical products (goods) that are consumed during the service process and this is usually evaluated in an objective manner, and physical support which aids the production of the service. The physical support is further divided into two categories; the environment of the service firm (the decoration and the layout of the facility) and the equipment such as crockery and cutlery in the case of a restaurant. The interactive quality is the interaction with the employees or any other elements of the service provider. This also includes interactions that customers have with each other. The other elements could be mechanical such as ATM machines in banks or human such as the bank employee. Finally, the corporate quality is the history of the organisation and the image people form about the organisation. The corporate quality takes time to evolve whereas the physical quality might improve faster depending on the improvements made by the organisation.

Lehtinen & Lehtinen (1991) also introduced another service quality model which is from the customer's point of view and is based on two dimensions. They argue that service quality could be judged by the customer as two dimensions; process service and output quality service. Process quality is the subjective assessment of the service process; the way the customer views the production process and how well they fit into the process. The customer's experience depends on the nature of the service and the level of the customer's participation. Ultimately, the process quality relies on the match between the customer's style and the provider's style but when
there is a mismatch between the two, the customer will perceive quality as being poor. The second dimension is the output quality which is the customer's judgment of the end result of the service. The output quality is divided into tangible and intangible elements. An example of a tangible element is a car wash which could be evaluated by the customer. Whereas tourism is an example of an intangible output because it depends on the feelings of the customer.

2.3.2 The North American School

The North American School is based on Parasuraman, Zeithaml & Berry (PZB) (1988) gap model (O’Neill & Palmer, 2003; Karatepe, Yavas & Babakus, 2005; Prayag, 2007). The American school, also known as the disconfirmation model, was developed in 1985 then later modified in 1988, 1991 and 1994 (Akbaba, 2006). The gap model is about giving managers the tools to improve service quality. This service quality model is based on five gaps with the consumer gap (gap 5) as the most important gap. The consumer gap is the difference between the customer’s expectations of the services and the perception of the services (Zeithaml, Bitner & Gremler, 2009).

As shown in Figure 2.3.2, there are five gaps; these gaps are summarised below (Kotler & Armstrong, 2010):

1. **Consumer expectation-management perception gap (Gap 1):** there is a difference between the customer expectation and the way the managers perceive this expectation. Management does not always have a clear understanding of the customer’s expectation of service and they are unaware of the important service aspects customers look for when being served. Therefore, there are many reasons for the management’s lack of understanding of customer’s expectations such as the lack of communication between them or the unwillingness of the management to tackle the customer’s problems.

2. **Management perception-service quality specification (Gap 2):** this gap is the difference between customer’s expectations and the standards that are established by the organisation which might not be enough to meet the customer's expectations of the service. The difficulty is in creating standards that ensure the customer's expectations are met, sometimes management consider customer expectations as unrealistic. These standards are considered
weak or inappropriate if they do not reflect the expectations of customers, which lead to customer perceiving the quality of service to be inadequate.

Figure 2.3.2
Gaps Model

Source: Parasuraman et al. (1985)

3. **Service quality specifications-service delivery gap (Gap 3):** this gap is the difference between the service quality standards and the delivery itself, which can result in services being inadequate because they are dependent on employees who may be poorly trained. To ensure that the delivery matches or exceeds these standards, employees must be properly trained and the systems in place need to accommodate the delivery of the standards.
4. **Service delivery-external communications gap (Gap 4):** this gap is the difference between what the service provider promises and the actual service received by the customer. External factors such as advertising may increase the customer's expectation of the service delivery, therefore it is important not to promise what cannot be delivered as this will lead to customer frustration. It is important for the service provider to manage the expectations of the customers by clearly communicating the services that the company provides without any ambiguity.

5. **Expected service-perceived service gap (Gap 5):** the difference between the services the customers expect and the service they perceive. Customers have expectations that are based on past experiences and these expectations are what customers think the service should be. On the other hand, the customer perception is the subjective evaluation of the actual service at the time of the service. Customer satisfaction is imperative for the competitiveness of the organisation, therefore it is important to understand the customers in order to deliver a quality service.

Understanding the customer gap is the key for improving service quality in an organisation, however it cannot be closed without closing the other gaps (Wilson *et al.*, 2008). Closing the provider gaps 1 to 4 are crucial for closing the customer gap (gap5) as (Zeithaml, Bitner & Gremler, 2009) illustrated in figure 2.3.2. Gaps 1-4 are internal gaps and they are called provider gaps because they take place in the organisation that provides the service (Wilson *et al.*, 2008); and they are less researched than the customer gap (Urban, 2009). The size and direction of gap 5 is influenced by gaps (1-4); to improve service quality gaps 1-4 need to be reduced (Kasper, Helsdingen & Gabbott, 2006).

The model shows the links between the different activities that are vital for delivering service quality; these links or gaps when closed (gap 1 to 4) leads to improved service quality (Zeithaml, Bitner & Gremler, 2009). Once the gap is identified, managers can identify areas of weakness in their service and plan for improvements to reduce the gap (Foster, 2004; Palmer, 2008). Managers could use different tools to close the gaps, one of which is through employees empowerment and training (Prayag, 2007). To measure the most important gap which is the consumer gap (gap 5) a 22 item scale called SERVQUAL (Section 2.4) is used.
SERVPERF is similar to SERVQUAL in that it uses the same 22 item scale to measure service quality, but differs in the number of times the service quality is measured. SERVPERF uses the 22 item scale once to measure the perception of service quality; whereas the SERVQUAL uses the scale twice once to measure the expected service quality and once to measure the perceived service quality. Even though SERVQUAL is used to measure other gaps such as the management gap, the employee gap or the difference between the managers and customers (Foster, 2004); measuring the customer gap (gap 5) is the heart of the SERVQUAL model (Prayag, 2007).

Many researchers find that the perception of service quality influences the customer's readiness to buy, more than the perception of the quality of the product (Swoboda et al., 2007). From the previous definitions of service quality it is apparent that they include the perception and expectations of services. Perception of service is the customer's opinion of the service or product (Foster, 2004) or the general judgment of a service (Sureshchandar, Rajendran & Aanatharaman, 2002) which is affected by many factors such as the education level, background and others (O'Neill & Palmer, 2003). Perception could be a one time or single perception of the company, such as an experience buying a product at a specific time, or an overall perception of the company based on many experiences with the organisation. This could also include the evaluation of other services that the company offers (Zeithaml, Bitner & Gremler, 2009). Therefore, experience becomes important when the customer makes judgments based on these experiences (O'Neill & Palmer, 2003). Experience is the subjective human process that includes feelings and reactions that are felt by the consumer while the service is being consumed (Chen & Chen, 2009). The perception of service quality is not constant which means that it changes for many reasons such as time, culture, consumer taste and promotional activities of the company (Zeithaml, Bitner & Gremler, 2009). Usually a customer's perception of a service decreases over time as people tend to forget the elements that made the service unique (O'Neill & Palmer, 2001).

Customer expectations are, according to Zeithaml, Bitner and Gremler (2009, p75), —beliefs about service delivery that serve as standards or reference points against which performance is judged. Another definition of expectations is based on consumer—norms, values, wishes and needs which depend on the individual (Kasper,
Therefore, expectations are different from one consumer to another since it depends on the individual which causes satisfaction levels to change from person to person (Kasper, Helsdingen & Gabbott, 2006). Moreover, expectations are usually formed from previous experiences and it is that level of service the customer expects from the service provider. Consequently, it is important for service providers to be aware of customer expectations so they are able to deliver superior quality services (Wilson et al., 2008). It is important for organisations to understand the different levels of customer expectations because serving customers at a level that exceeds these expectations will lead to customer satisfaction (Dutta & Dutta, 2009).

There are two different levels of expectations (Zeithaml, Bitner & Gremler, 2009); desired service is the level of service the customer anticipates receiving from the service provider. At the adequate service level, the customer anticipates a minimal standard of service from the service provider; this is the minimal level of the acceptable performance the customer will tolerate. The difference between the desired level and the adequate level is called the tolerance zone or the zone of acceptability as stated by Kasper, Helsdingen & Gabbott (2006). The zone of tolerance changes over time, from service to service and from customer to customer (Kasper, Helsdingen & Gabbott, 2006). The zone of tolerance according to Zeithaml, Bitner and Gremler (2009, p.80) is —the extent to which customers recognise and are willing to accept variations in services. If the service level goes below the adequate service level, this usually causes customers to become irritated and dissatisfied. However, if the service level is above the desired level, it usually makes customers happy and satisfied with the service (Wilson et al., 2008).

Figure 2.3.3 below shows that the difference between the desired services and the adequate services is called the zone of tolerance and this is based on the variations in the services provided to customers.
The zone of tolerance as illustrated above is the acceptable level of service for customers, and customers usually notice services if they drop below the adequate level of service or above the desired level of service (Zeithaml, Bitner & Gremler, 2009).

### 2.3.3 Other Service Quality Models: The Hierarchical Model

Brady & Cronin (2001) acknowledge that the American school and the Nordic school are the most adopted conceptualisation of service quality by researchers. They integrated the Nordic school model and the North American model into a new hierarchical model; they adapted the view of Rust & Oliver (1994) that perceived service quality depends on three dimensions; the customer employee interaction, the service environment and outcome. Brady & Cronin (2001) also adapted the view of Dabholkar, Thrope & Tenz (1996) that service quality is a multidimensional and multilevel construct. Therefore, the model by Brady & Cronin (2001) integrates the conceptualisation of service quality by suggesting a service quality model with three dimensions. The three dimensions are interaction quality, physical environment quality and outcome quality; each of these dimensions consists of three sub-dimensions and the aggregate evaluation of the sub-dimensions forms the perception of that dimension. The combined perception of these dimensions leads to the overall service quality perception. The Brady & Cronin (2001) model is presented in figure 2.3.4 below.
According to Carrillat, Jaramillo & Mulki (2007) Brady & Cronin’s hierarchical model has not persuaded researchers that it is superior to SERVQUAL or SERVPERF. Both SERVQUAL and SERVPERF dominate the literature with 46% of the articles that cited SERVQUAL or SERVPERF having done so in the past five years, which indicates that they are still very popular (Carrillat, Jaramillo & Mulki, 2007).

2.4 MEASURING SERVICE QUALITY

The increasing interest in service quality had made the development of an instrument to measure service quality imperative; however there were difficulties in measuring service quality because of the nature of services. As discussed earlier services have four characteristics; intangibility, heterogeneity, perishability and inseparability which makes service quality an elusive and abstract concept (Ladhari, 2009a).

Measuring service quality depends on the model underpinning service quality. Based on theoretical development of the PZB Service Quality gap Model (as discussed in the North American school section 2.3.2), the SERVQUAL (SERvice QUALity) instrument was proposed in 1988 by Parasuraman and colleagues from the USA. Among all the service quality scales SERVQUAL has attracted the most attention (Lin, 2010) and has been identified as being the most widely used scale for
measuring service quality (Akbaba, 2006; Albacete-Sa´ez, Fuentes-Fuentes & Llore´ns-Montes, 2007; Stodnick & Rogers, 2008) in service management and marketing literature (Stodnick & Rogers, 2008).

The SERVQUAL instrument developed by Parasuraman et al. (1988) originally consisted of 97 items and ten dimensions, it was then refined and reduced to 22 items that measure five dimensions (Akbaba, 2006).

The original ten dimensions for measuring service quality (figure 2.4.1) by Parasuraman Zelthamal, & Berry (1988) are discussed as under.

- Reliability: the ability of an organization to accurately achieve its services in the proper time and according to the promises it has made to its clients.
- Responsiveness: the tendency and willingness of service providers to help clients and satisfy their needs, immediately reply to their inquiries, and solve their problems as quickly as possible.
- Competence: having adequate skills and knowledge that enable the employees to perform their jobs properly.
- Accessibility: providing easy access to a service in terms of location and through services provided via the telephone, the internet, or any other means of communication.
- Courtesy: treating clients respectfully in a polite friendly manner, understanding their feelings, and answering their phone calls gently.
- Communication: this occurs through gentlemanly listening to the client conveying information to them clearly and facilitating external communication with workers.
- Credibility: this can be achieved through full trust and confidence in the service provider as well as his honesty and straight forwardness.
- Security: this depends on whether the service is free from risks and hazards, defects or doubts so that it provides bodily safety, financial security as well as privacy.
- Understanding/ knowing the customer: this can be made achievable through the ability to pinpoint the customers' needs as well as understanding their individual problems.
- Tangibility: this includes physical aspects connected with service such as instruments and equipment, persons, physical facilities like buildings and nice decoration and other observable service facilities.

**Figure 2.4.1**

**The Original 10 Dimensions of Service Quality**

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<th>Determinants of Service Quality</th>
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<td>1. Access</td>
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<td>2. Communication</td>
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<td>3. Competence</td>
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<td>6. Reliability</td>
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<td>10. Understanding/Knowing the Customer</td>
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The above-mentioned ten dimensions have been integrated into five dimensions (Table 2.4.2) Researchers agreed on the fact that these dimensions are appropriate ones which help reveal the customers' expectations and perception. Finally, 'Servqual' was developed. This compound word consists of the two words 'Service' and 'Quality' Thus SERVQUAL is used to measure service quality as a multi-dimensional construct across five dimensions: tangibility, reliability, responsiveness, assurance and empathy (Cui, Lewis & Park, 2003). The five dimensions are explained in detail below:

1. **Tangibility**: the physical appearance of the facility which includes materials, equipment and personnel. This enhances the image of the company and provides a more positive image in the way the customer perceives the service.

2. **Reliability**: this refers to service reliability, which is different from product reliability and involves the service provider to be able to perform the services
accurately and dependably. This means that the company fulfills its promises with regard to the delivery of the service, the price and solving the customer's problems.

3. **Responsiveness**: the readiness to provide timely service by the service provider. This includes paying attention to the customer, and dealing with the customer's complaints and problems in a timely manner. Responsiveness is being flexible with the customer and trying to accommodate the customer's demands and performing the service without delay.

4. **Assurance**: the ability to deliver services at a professional level. This includes the employee's knowledge and courtesy which inspires confidence in them. Having trust and confidence in the employee leads to the customer having more trust in the company itself. For example, a salesman who sells health insurance needs the customer's trust, in order for them to buy the health insurance (Wilson *et al.*, 2008).

5. **Empathy**: the ability to understand customer needs and to give personal attention. This includes the ability to show the customer that the service provider cares about him/her because they know how valuable s/he is to the business. It is being able to build a relationship with the customer, understanding their needs and providing him/her with personalised services.
Table 2.4.1
Correspondence between SERVQUAL Dimensions and Original 10 Dimensions for Evaluating Service Quality

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<th>Original 10 Dimensions for Evaluating Service Quality</th>
<th>Tangibility</th>
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<th>Responsiveness</th>
<th>Assurance</th>
<th>Empathy</th>
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The SERVQUAL scale consists of two sets of the same 22 items; the first set measures the customer's expectations of the services and the second set measures the customer's perception of the services (Asubonteng, McCleary & Swan, 1996; Kerin et al., 2006). Customers form an opinion about the quality of service by comparing the expected level of service (expectations) with the perceived level of service (performance) (Parikh, 2006). For the service quality to be good, the performance or perceived level of service needs to be higher than the expected level of service (Parikh, 2006). Table 2.4.2 shows the items under each dimension in the SERVQUAL scale.
Table 2.4.2
The SERVQUAL Scale with 22 items under Service Quality Dimensions

| Reliability | 1. Providing services as promised.  
|             | 2. Dependability on handling customer’s service problems.  
|             | 3. Performing services correctly the first time.  
|             | 4. Providing services at the promised time.  
|             | 5. Maintaining error-free records.  
| Responsiveness | 6. Keeping customers informed about when services will be performed.  
|             | 7. Prompt service to customers.  
|             | 8. Willingness to help customers  
|             | 9. Readiness to respond to customers’ requests.  
| Assurance | 10. Employees who instill confidence in customers.  
|           | 11. Making customers feel safe in their transactions.  
|           | 12. Employees who are consistently courteous.  
|           | 13. Employees who have the knowledge to answer customer questions.  
| Empathy | 14. Giving customers individual attention.  
|         | 15. Employees who deal with customers in a caring fashion.  
|         | 16. Having the customer’s best interest at heart.  
|         | 17. Employees who understand the needs of their customers.  
|         | 18. Convenient business hours.  
|           | 20. Visually appealing facilities.  
|           | 21. Employees who have a neat, professional appearance.  
|           | 22. Visually appealing materials associated with the service.  

Although SERVQUAL dominates studies of service quality, several critical issues remain concerning this scale. First, as Cronin and Taylor (1992) suggest, SERVQUAL measures the gap between the expectations and actual performance. However, using performance-based measures would provide a more reliable source of information and more valid measure of service quality (Cronin & Taylor, 1992, 1994). They suggested a SERVPERF (Service performance) scale that consists of the
same 22 SERVQUAL items, but with measurements based on actual performance only. After Cronin and Taylor’s (1992, 1994) work, several authors have confirmed that performance only measures are preferable to gap measurements (Badri, Adbulla, & Al-Madani, 2005; Brady, Cronin, & Brand, 2002; Davis & Heineke, 1998; Dean, 2004; Hamer, 2006; Karatepe, Yavas, Babakus, 2005).

Gronroos (2007b) from the Nordic school summarised the criticisms of measuring expectations of service quality compared to perception of service quality as follows: Measuring expectations before the service might be problematic because the customer may be thinking of experiences rather than expectations. Moreover, measuring expectations usually takes place during or sometimes after the service process which may be biased by the customer’s experience. Furthermore, measuring expectations might occur twice if customers are comparing their experience after the service with prior experience before the services. Then, the expectation is in fact being measured twice (process dimension).

Palmer (2008) summarised the problems associated with using the gap model as follows: Expectations might be part of the experience a customer has during the consumption of the service and thus cannot be used as a benchmark. Measuring the difference between the customer’s expectations and perception of the actual service has been heavily criticised because it is difficult for customers to have knowledge about the product or service before consumption and the fact that it is unlikely that customers will compare their service expectations against the actual perception of the service. Using a performance only model might be superior to using the gap model because customers are asked about their experiences after the consumption of services where their expectations are influenced by their experiences. Also, there is no agreement whether to ask customers about their experiences before or after the service.

Although the elements listed in SERVQUAL model have been proven to be the main method for evaluating service quality from the consumer’s perspective (Brown et al., 1993), drawbacks in using SERVQUAL in measuring service quality has been the reason that the SERVPERF scale was proposed by Cronin & Taylor (1992, cited in Jain et al. (2004, p. 25-37) after they called into question the conceptual basis of the SERVQUAL, having found it, led to confusion with service satisfaction (Jain et al., 2004, p. 25-37). These researchers discarded the ‘E’ for
'expectation' claiming instead that 'P' for 'performance' alone should be used. They meant that higher perceived performance entails higher quality service.

Cronin and Taylor (1992) were amongst the researchers who levelled maximum attack on the SERVQUAL scale. They questioned the conceptual basis of the SERVQUAL scale and found it confusing with service satisfaction. They, therefore, opined that expectation (E) component of SERVQUAL be discarded and instead performance (P) component alone be used. They proposed what is referred to as the ‘SERVPERF’ scale. Besides theoretical arguments, Cronin and Taylor (1992) provided empirical evidence across four industries (namely banks, pest control, dry cleaning, and fast food) to corroborate the superiority of their ‘performance-only’ instrument over disconfirmation-based SERVQUAL scale.

Being a variant of the SERVQUAL scale and containing perceived performance component alone, ‘performance only’ scale is comprised of only 22 items. A higher perceived performance implies higher service quality. Thus through SERVPERF we find out the perceived service quality as a perception of the individuals with respect to the performance of service firms on various attributes.

Methodologically, the SERVPERF scale represents marked improvement over the SERVQUAL scale. Not only is the scale more efficient in reducing the number of items to be measured by 50 per cent, it has also been empirically found superior to the SERVQUAL scale for being able to explain greater variance in the overall service quality measured through the use of single-item scale. This explains the considerable support that has emerged over time in favour of the SERVPERF scale (Babakus and Boller, 1992; Boulding et al., 1993; Gotlieb, Grewal and Brown, 1994; Hartline and Ferrell, 1996). Though still lagging behind the SERVQUAL scale in application, researchers have increasingly started making use of the performance-only measure of service quality (Andaleeb and Basu, 1994; Babakus and Boller, 1992; Boulding et al., 1993; Brady et al., 2002; Cronin et al., 2000; Cronin and Taylor, 1992, 1994). Also when applied in conjunction with the SERVQUAL scale, the SERVPERF measure has outperformed the SERVQUAL scale (Babakus and Boller, 1992; Brady, Cronin and Brand, 2002; Cronin and Taylor, 1992; Dabholkar et al., 2000). Seeing its superiority, even Zeithaml (one of the founders of the SERVQUAL scale) in a study (Boulding & Zeithaml 1993) observed that their results were incompatible with both the one-dimensional view of expectations and the gap formation for service quality.
Instead, they found that perceived quality is directly influenced only by perceptions (of performance)" This admittance cogently lends a testimony to the superiority of the SERVPERF scale.

2.5 THE CUSTOMER SATISFACTION

Those who buy the goods or services provided by companies are customers. In other words, a customer is a stakeholder of an organization who provides payment in exchange for the offer provided to him by the organization with the aim of fulfilling a need and to maximise satisfaction. (Solomon, 2009) When a customer is contented with either the product or services it is termed satisfaction. Satisfaction can also be a person’s feelings of pleasure or disappointment that results from comparing a product’s perceived performance or outcome with their expectations (Kotler & Keller, 2009, p. 789). As a matter of fact, satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person or group of people; or it can be the state of being happy with a situation.

Satisfaction varies from one person to another because it is utility. “One man’s meal is another man’s poison,” an old adage stated describing utility; thus highlighting the fact that it is sometimes very difficult to satisfy everybody or to determine satisfaction among group of individuals. Client happiness, which is a sign of customer satisfaction, is and has always been the most essential thing for any organization. Customer satisfaction is defined by one author as “the consumer’s response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption” (Tse & Wilton, 1988, p. 204) hence considering satisfaction as an overall post-purchase evaluation by the consumer” (Fornell, 1992, p. 11).

Some authors stated that there is no specific definition of customer satisfaction, and after their studies of several definitions they defined customer satisfaction as “customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post-consumption)”. (Giese & Cote, 2000, p. 15) This definition is supported by some other authors, who think that consumer’s level of satisfaction is determined by his or her cumulative experience at the point of contact with the supplier (Sureshchander et
It is factual that, there is no specific definition of customer satisfaction since as the years pass, different authors come up with different definitions. Customer satisfaction has also been defined by another author as the extent to which a product's perceived performance matches a buyer's expectations (Kotler et al., 2002, p. 8). According to Schiffman & Kanuk (2004) Customer satisfaction is defined as "the individual's perception of the performance of the products or services in relation to his or her expectations" (Schiffman & Kanuk 2004, p. 14).

Customer satisfaction is the degree of overall pleasure or contentment felt by the customer, resulting from the ability of the service to fulfil the customer's desires, expectations and needs in relation to the service (Kotler, 2004). It is the consumers' overall evaluation based on their overall experience and it can be viewed in two ways -transaction-specific outcome or cumulative evaluation (Wang et al., 2004). Anderson and Sullivan (1993) suggested that 'Satisfaction can be broadly characterised as a post-purchase evaluation of product quality given pre-purchase expectations'.

According to Oliver (1996) 'Satisfaction is the consumer's fulfilment response. It is a judgement that a product or service feature, or the product of service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment including levels of under-or over-fulfilment'. Accordingly customers purchase goods and services with pre-purchase expectations about anticipated performance. When outcome matches expectations, confirmation occurs. Disconfirmation occurs when there are differences between expectations and outcomes. Negative disconfirmation occurs when product/service performance is less than expected. Positive disconfirmation occurs when product/service performance is better than consumer expectations, and dissatisfaction is caused by negative disconfirmation of consumer expectations.

Vavra's (1997) stated that customer satisfaction characterises satisfaction as the end-state resulting from the experience of consumption. This end state may be a cognitive state of reward, an emotional response to an experience or a comparison of rewards and costs to the anticipated consequences. Kolter and Armstrong (1999) defended the customer satisfaction as the customer's perception that compared their pre-purchase expectations with post purchase perception. Customer satisfaction was the customers' evaluation of services after purchase as opposed to their expectation.
(Oliver, 1997; Zeithaml and Bitner, 2000). Baker and Crompton (2000) defended satisfaction as a personal experience and mentality related the nitration between personal expectation and actual receive. Customer satisfaction was the overall evaluation to services. It was the reflection customers make to their previous purchase.

Thus, when a customer is contented with either the product or services it is termed Satisfaction (Kotler & Keller, 2009, p. 789). Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Levy, 2009).

In a nutshell, customer satisfaction could be the pleasure obtained from consuming an offer. Measuring customer satisfaction could be very difficult at times because it is an attempt to measure human feelings. It was for this reason that some existing researcher presented that "the simplest way to know how customers feel, and what they want is to ask them" this applied to the informal measures (Levy, 2009).

There exist two conceptualizations of customer satisfaction; transaction-specific and cumulative (Boulding, et al., 1993; Andreassen, 1994). Following the transaction specific, customer satisfaction is viewed as a post-choice evaluation judgement of a specific purchase occasion (Oliver, 1980) until present date, researchers have developed a rich body of literature focusing on this antecedents and consequences of this type of customer satisfaction at the individual level (Yi, 1990). Cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experiences with a product or service over time. (Fornell, 1992; Johnson & Fornell 1996) This is more fundamental and useful than transaction specificity customer satisfaction in predicting customer subsequent behaviour and firm's past, present and future performances. It is the cumulative customer satisfaction that motivates a firm's investment in customer satisfaction.

It has however been identified that human needs, quality of services and products, the user friendly nature of product and services, and comfort assurance (Homburg et al., 2001) are some of the important determinants of customer satisfaction. Even though different customers will require different levels and combinations of these variables, they generally are important factors that affect
customer satisfaction. Matzler et al., (2002), went a step forward to classify factors that affect customers’ satisfaction into three factor structures;

- Basic factors: these are the minimum requirements that are required to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent. These are those factors that lead to the fulfilment of the basic requirement for which the product is produced. These constitute the basic attributes of the product or service. They thus have a low impact on satisfaction even though they are a prerequisite for satisfaction. In a nutshell they are competence and accessibility

- Performance factors: these are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.

- Excitement factors: these are factors that increase customers’ satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled. In other words, positive performance on these attributes has a greater impact on overall satisfaction than negative performance. Excitement factors surprise the customer and generate “delight.”

Zeithaml, Bitner & Gremler (2009) identified the combination of following elements for measuring satisfaction; perception of service quality, price, product quality, personal factors and situational; this is illustrated in Figure 2.5.1 below.

**Figure 2.5.1**

**Satisfaction Components**

![Satisfaction Components Diagram](image)

**Source:** Adapted from Zeithaml, Bitner and Gremler (2009)
To clarify the figure 2.5.1, Zeithaml, Bitner and Gremler (2009) give an example of a health club; where when evaluating service quality the customer checked if the equipment is operational, the interaction with the club employees, the competence of the trainers and the physical look of the club. Therefore satisfaction included the perception of service quality, perception of product quality, price of joining the club, personal factors which might include the general feeling about the club and situational factors which could be the distance from home (Zeithaml, Bitner & Gremler, 2009).

Hoyle (2007) pointed out how customers will be satisfied with a product or service if their needs, requirements and expectations are fulfilled. Firstly, the need for a service or product includes fulfilling the reason the product or service were bought or obtained. Secondly, requirements might include needs but come after the service has been received or the product has been purchased. Finally, expectations include needs and requirements but also include things that have not been asked for but are expected with the service or product (Hoyle, 2007). Meeting the customer's needs by offering different products and services leads to customer satisfaction, which leads to an increase in loyalty (Shankar, Amy & Rangaswamy, 2003). According to Kent & Omar (2003) satisfying the customer is important because retail sales derive from both repeat customers and new customers. Satisfied customers stay loyal to retailers for a longer period of time and they tend to purchase more (Kent & Omar, 2003).

Since customer satisfaction has been considered to be based on the customer's experience on a particular service encounter, (Cronin & Taylor, 1992) it is in line with the fact that service quality is a determinant of customer satisfaction, because service quality comes from outcome of the services from service providers in organizations. Another author stated in his theory that "definitions of consumer satisfaction relate to a specific transaction (the difference between predicted service and perceived service) in contrast with 'attitudes', which are more enduring and less situational-oriented," (Lewis, 1993, p. 4-12) This is in line with the idea of Zeithaml et al (2006, p. 106-107). Regarding the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. Some researchers have found empirical supports for the view of the point
mentioned above (Anderson & Sullivan, 1993; Fornell et al 1996; Spreng & Macky 1996); where customer satisfaction came as a result of service quality.

In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service. (Wilson et al., 2008, p. 78). Although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml et al. 2006, p. 106-107). This theory complies with the idea of Wilson et al. (2008) and has been confirmed by the definition of customer satisfaction presented by other researchers.

Figure 2.5.2
Customer Perceptions of Quality and Customer Satisfaction
(Wilson et al., 2008)

The above figure shows the relationship between customer satisfaction and service quality. The author presented a situation that service quality is a focused evaluation that reflects the customer’s perception of reliability, assurance, responsiveness, empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, and also situational factors and personal factors. (Wilson, 2008, p. 78) It has been proven from past researches on service quality and customer satisfaction that Customer satisfaction and service quality are
related from their definitions to their relationships with other aspects in business. Some authors have agreed to the fact that service quality determines customer satisfaction. Parasuraman et al., (1996) in their study, proposed that when perceived service quality is high, then it will lead to increase in customer satisfaction. Some other authors did comprehend with the idea brought up by Parasuraman (1996) and they acknowledged that “Customer satisfaction is based upon the level of service quality that is provided by the service providers” (Saravana & Rao, 2007, p. 436, Lee et al., 2000, p. 226). Looking into (figure 1), relating it to these authors’ views, it is evident that definition of customer satisfaction involves predicted and perceived service; since service quality acted as one of the factors that influence satisfaction.

In marketing literature, Service Quality and Customer Satisfaction have been conceptualized as a distinct, but closely related constructs. There is a positive relationship between the two constructs (Beerli et al., 2004). The relationship between customer satisfaction and service quality is debatable. Some researchers argued that service quality is the antecedent of customer satisfaction, while others argued the opposite relationship. According to Sureshchandar et al., (2002, p. 363), customer satisfaction should be seen as a multi-dimensional construct just as service quality meaning it can occur at multi levels in an organisation and that it should be operationalized along the same factors on which service quality is operationalized.

Parasuraman et al., (1985) suggested that when perceived service quality is high, then it will lead to increase in customer satisfaction. He supports that fact that service quality leads to customer satisfaction and this is in line with Saravana & Rao, (2007, p.436) and Lee et al., (2000, p.226) who acknowledge that customer satisfaction is based upon the level of service quality provided by the service provider.

According to Levy & Weitz (2009) satisfaction is a process of evaluating a product or service after consumption to discover whether customer’s expectations have been met or even exceeded. When the customer’s expectations are exceeded, the customer is highly satisfied, however, if the customer’s expectations are not met, then the customer will feel dissatisfied with the service (Kotler & Armstrong, 2010). Satisfaction is—an emotional state of mind that reflects the benefits or outcome of an experience along with other influences (Howat, Crilley & McGrath, 2008, p141) and usually overall satisfaction comes after the service has been rendered.
According to Vesel & Zabkar (2009, p.2) satisfaction—is a feeling or attitude a person has about a product or service after purchasing or consuming it. Cumulative satisfaction or general levels of satisfaction with a retailer is needed in order for satisfaction to lead to loyalty (Vesel & Zabkar, 2009). Olsen (2007) observed that satisfaction is viewed by researchers as cumulative satisfaction which is the overall experience a customer has with a service provider to date. If customers are not happy or satisfied with the services, they might seek other retailers or choose different brands (Levy & Weitz, 2009).

Research shows that even though satisfaction and service quality are close in meaning there is a difference between them; satisfaction is a combination of many elements, which makes it a more general concept, while service quality is focused on the dimensions of service quality (Wilson et al., 2008). Satisfaction is a combination of the following elements; perception of service quality, price, product quality, personal factors and situational (Zeithaml, Bitner & Gremler, 2009).

2.6 MEANING AND CONCEPT OF INSURANCE

Life is uncertain and is full of twists and turns. Insurance policies are a safeguard against the uncertainties of life. As in all insurance, the insured transfers a risk to the insurer, receiving a policy and paying a premium in exchange. The risk assumed by the insurer is the risk of death of the insured in case of life insurance. Insurance policies cover the risk of life as well as other assets and valuables such as home, automobiles, jewelry etc. On the basis of the risk they cover, insurance policies can be classified into two categories:

(a) Life Insurance and (b) General Insurance

Life insurance products cover risk for the insurer against eventualities like death or disability. Non-life insurance products cover risks against natural calamities, burglary, etc. Insurance is a system by which the losses suffered by a few are spread over many, exposed to similar risks. With the help of Insurance, large numbers of people exposed to a similar risk make contributions to a common fund out of which the losses suffered by the unfortunate few, due to accidental events, are made good.

Insurance is a protection against financial loss arising on the happening of an unexpected event. Insurance policy helps in not only mitigating risks but also provides a financial cushion against adverse financial burdens suffered. Insurance is
defined as a co-operative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk. Risk is uncertainty of a financial loss. Insurance is also defined as a social device to accumulate funds to meet the uncertain losses arising through a certain risk to a person injured against the risk. Insurance provides financial protection against a loss arising out of happening of an uncertain event. A person can avail this protection by paying premium to an insurance company. A pool is created through contributions made by persons seeking to protect themselves from common risk. Any loss to the insured in case of happening of an uncertain event is paid out of this pool.

Life insurance has come a long way from the earlier days when it was originally conceived as a risk-covering medium for short periods of time, covering temporary risk situations, such as sea voyages. As life insurance became more established, it was realized what a useful tool it was for a number of situations that includes temporary needs, threats, savings, investment, retirement etc. Insurance is a contract between two parties whereby one party agrees to undertake the risk of another in exchange for consideration known as premium and promises to pay a fixed sum of money to the other party on happening of an uncertain event (death) or after the expiry of a certain period in case of life insurance or to indemnify the other party on happening of an uncertain event in case of general insurance. The party bearing the risk is known as the 'insurer' or 'assurer' and the party whose risk is covered is known as the 'insured' or 'assured'.

According to the U.S. Life Office Management Inc., "Life Insurance provides a sum of money if the person who is insured dies whilst the policy is in effect." The definition of insurance can be seen from two viewpoints:

(a) Functional Definition

(b) Contractual Definition

(a) Functional Definition

Insurance is a co-operative device of distributing losses, falling on an individual or his family over large number of persons each bearing a nominal expenditure and feeling secure against heavy loss.
(b) Contractual Definition

Insurance may be defined as a contract consisting of one party (the insurer) who agrees to pay to other party (the insured) or his beneficiary, a certain sum upon a given contingency against which insurance is sought.
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