CHAPTER II

SERVICE QUALITY: CONCEPT AND MEASUREMENT – A THEORETICAL FRAMEWORK
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Introduction

The study is undertaken on service quality in retail lending operations of selected commercial banks in Karnataka. Conceptualisation and measurement of Service Quality has been presented in this chapter under three heads as given below:

1. Concepts of Service, Quality and Service Quality
2. Measurement of Service Quality
3. SERVQUAL Model

2.1 Concepts of Service, Quality and Service Quality

1) Service

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.” Services are economic activities that produce an intangible product such as banking, insurance, education, entertainment, transportation, real estate, medical, repair & maintenance etc.

The inherent features of Services are:

✓ Intangibility

Services do not have a physical existence and hence cannot be seen, touched, held, tasted or smelt.

✓ Heterogeneity

Each service offering is unique and cannot be replicated perfectly even by the same service provider. Hence standardization and mass production is impossible.
Perishability

Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer, the service is completely consumed and cannot be delivered to another customer.

Inseparability

Services are produced and consumed within the same time frame. The service provider, the service and the customer cannot be separated.

The inherent nature of services makes it impossible for the customer to evaluate the service before they are bought. Both customers and service providers are responsible for the success of service provided.

2) Quality

Quality gurus namely Juran, Deming, Crosby and Taguchi have defined quality differently. Juran (1988)\(^1\) the ‘father of quality’ defines quality as fitness for use in terms of design, conformance, availability, safety, and field use. Deming (1988)\(^2\) defines Quality as ‘Meeting and exceeding the customer's need and expectations and then continuing to improve’. Crosby (1984)\(^3\) says that ‘conformance to requirements’ is quality and goes on to empahasise on ‘Zero Defects’. According to Feigenbaum (1983)\(^4\) quality is the ‘total composite product and service characteristics through which the product and service in use will meet the expectations of the customer’.

Quality can be said to be the adherence to standards and expectations, with zero defects to satisfy specific customer or user requirements.

3) Service quality

Since it is not possible to set standards for services, there are many difficulties posed in defining and measuring service quality. Definitions of service quality by
researchers have all revolved around the concept that it is the result of the comparison of customers' expectations about a service and their perceptions of the way the service has been performed (Grönroos 1984; Lewis et al., 1983; Parasuraman et al., 1985; 1988).

The most common definition of service quality is ‘the extent to which a service meets customers’ needs or expectations’ (Lewis et al., 1990; Dotchin and Oakland, 1994a; Asubonteng et al., 1996; Wisniewski et al., 1996). Service quality is defined by Peters and Austin, (1985) as the superiority or excellence as perceived by customer. According to Zeithamal et al., (1996) quality is the delivery of excellent or superior service in relation to customer expectations. Quality is a behavior – an attitude – a person will never settle for anything less than the best in service says Harvey (1995). Lewis (1989) considers quality as providing a service better than the customer expectations.

Hence Quality may be defined as ‘the ability to satisfy the customer’s expectations and requirements absolutely and also be able to replicate it on a continuing basis’.

2.2 Measurement of Service Quality

In order to improve quality it is important to have a clear understanding of the meaning of quality and how to measure it. Every service provider should be aware of two attributes of Service quality. Firstly quality is defined by the customer and not the service provider. Secondly, the customers evaluate the quality of service provided by comparing perceptions of the service delivery during the service encounter against the prior expectations. So the whole concept of service quality is consumer centric. Hence the expectations of the customer may be unreasonable and their perception may be based on a single service encounter or a series of encounters. The customer is the key
player in development of trade, industry and service sector particularly in financial services. The significance of customer service cannot be undermined, while competing in the market driven environment of the banking sector.

Delivery of quality services to the customers calls for standardization of the service delivery processes, which in turn requires mechanization to the maximum extent possible. Though machines do not suffer from bias, fatigue, forgetfulness and stress, the success of mechanization depends on the customers’ adaptation, willingness and contentment to deal with machines in place of humans. Employees continue to play a vital role in delivering and explaining the service inspite of maximum automation in the service industry.

Measuring service quality in the service sector particularly in the banking sector is more difficult than measuring the quality of manufactured goods. The service sector as a whole is very heterogeneous and the type of service delivered differs from one industry to another. For example, the nature of banking services is very different from the one provided by a hospital or a hotel. In fact, in the banking industry there are a variety of services like retail banking, corporate banking, investment banking, commercial banking, personal banking, wholesale banking, internet banking etc. Each of these aspects of banking is having a variety of services. Hence services in this industry cannot be standardized, and also these services are intangible in nature.

Gronroos (1982, 1984)\textsuperscript{17,18} conceptualized service quality in terms of two dimensions: functional quality and technical quality. Functional quality (subjective in nature) is customers’ perceptions of interactions during the service delivery process. Technical quality (objective in nature) is the actual outcome that customers received. Hence, the functional quality conceptualizes how service is offered, and the technical quality conceptualizes what is offered.
Gronroos defined service quality as a mixture of three elements: the quality of the consumption process itself; the quality of the outcome of the process; and image of the provider of the service. Gronroos’ model measured service quality by comparing the perceived service with the expected service. Gronroos’ two dimensional model that views service quality as functional and technical quality is referred to as “Nordic” perspective in the literature (Brady et al., 2001).\(^{19}\)

Work done by Berry Bart Allen and Brodeur\(^ {20}\) between 1990 and 1998 defined the ten 'Quality Values' which influence satisfaction behavior. Later they expanded it and called it the ten domains of satisfaction. These ten domains of satisfaction are: Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behaviors, Commitment to the Customer and Innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for satisfaction measurement as an integrated model.

### 2.3 SERVQUAL Model

The most popular measure of service quality is SERVQUAL, an instrument developed by Parasuraman et al., (1985; 1988)\(^ {21,22}\) to measure service quality in the different business forms of the service sector. They used the SERVQUAL scale and measured the service in retail banks, a long-distance telephone company, a securities broker, an appliance repair and maintenance firm, and credit card companies. Customer satisfaction with a service was measured using the gap between the customer's expectation of performance and their perceived experience of performance. The satisfaction "gap" is objective and quantitative in nature. Cronin and Taylor\(^ {23}\) propose the "confirmation/disconfirmation" theory of combining the "gap" described by Parasuraman, Zeithaml and Berry as two different measures (perception and
expectation of performance) into a single measurement of performance according to expectation.

Bahia and Nantel (2000)\textsuperscript{24} developed a specific new scale for perceived service quality in retail banking. The bank service quality (BSQ) model was an extension of the original ten dimensions of the model of Parasuraman et al. In addition, they incorporated items for courtesy and access, as proposed by Carman (1990)\textsuperscript{25}.

SERVQUAL conceptualizes and measures elements of service that are evaluated by customers in assessing service quality. The SERVQUAL concept lays down five dimensions to assess service quality, which are tangibles, reliability, responsiveness, assurance, and empathy with a total of 22 scale items. According to Parasuraman et al.’s basic model, consumer perceptions of quality emerge from the gap between performance and expectations; as performance exceeds expectations, quality increases; and as performance decreases relative to expectations, quality decreases. They suggested that the SERVQUAL instrument was applicable for a wide range of service and retail firms to assess customers’ expectations and perceptions of service quality. In the marketing literature, this measurement of service quality from a functional point of view is usually referred to as an “American” perspective.

Figure 2.1 exhibits the GAP model of Service Quality.
Fig. 2.1
Gap Model of Service Quality


Fig. 2.1 helps to infer the following points:

Gap 1: The difference between management perceptions of customer expectations and actual customer expectations.

Gap 2: The difference between management perceptions of customer expectations and service quality specifications - the standards gap

Gap 3: The difference between service quality specifications and actual service delivery - are standards consistently met?

Gap 4: The difference between service delivery and what is communicated externally - are promises made consistently fulfilled?
Gap 5: The difference between what customers expect of a service and what they actually receive

SERVQUAL has been adopted to measure service quality in a variety of settings. Health care applications (Babakus et al., 1992; Licata et al., 1995)\textsuperscript{26,27}, in large retail chains (such as kMart, WalMart, and Target) (Teas, 1993)\textsuperscript{28}, in hotels (Hugh, 2005)\textsuperscript{29}, in airlines (Mehdi, 2006)\textsuperscript{30} and banking, pest control, dry cleaning, and fast-food restaurants (Cronin et al., 1992)\textsuperscript{31}.

Drawing from extensive prior research on SERVQUAL and service quality, Buttle (1996)\textsuperscript{32} criticizes SERVQUAL’s model on two aspects: First, SERVQUAL focused on the service delivery process (functional quality which is subjective in nature) but does not emphasize the outcome of service (technical quality which is objective in nature), and the service environment when a service is rendered. Second, SERVQUAL’s dimensions are not universal and they may change across different industries.

SERVQUAL model takes into account the perceptions of the customers. Perceptions of customers are shaped by their experience during the service encounter, which encompasses both the technical and functional quality of the service rendered. The environment in which the service is being provided also affects the perceptions of the customer. For example, in banks the tangibles namely the bank’s interior décor and modern equipments being used impact the perceptions of the customer. Moreover, the dimensions of SERVQUAL are not rigid, there is scope for redesigning it according to the service under consideration.

A high degree of concordance between the various items of SERVQUAL were revealed in a study by Ravichandran et al., (2010)\textsuperscript{33}, which again supports quality of service delivery. So a study of service quality in banks using the SERVQUAL model
will help to themself by restructuring their service delivery system to enhance the SERVQUAL items in the areas of service quality.

2.4 Summary

Services are intangible, heterogeneous, perishable and inseparable. Service quality is the conformance to standards and customer expectations. The inherent nature of services makes it impossible to set standards for conformance. Hence service quality has been defined as the evaluation of the customer perception of the actual service encounter as against their expectations. The most popular measure of service quality is the SERVQUAL model developed to measure service quality in different business forms of the service sector. Since this study attempts to evaluate the service quality of commercial banks, an interview schedule based on the SERVQUAL model was developed and used.
References

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