CHAPTER -III

CUSTOMER SATISFACTION TOWARDS SERVICE QUALITY
AN OVERVIEW

3.1. INTRODUCTION

The chapter deals with the overview of customer satisfaction, service quality, SERVQUAL model, service quality dimensions and retailing business to have an opinion about the research area.

Once the producer is ready with a product and has decided about the prices, he needs to distribute the product to the consumers. It is possible to distribute the products through direct and indirect marketing. Direct marketing involves distribution through own sales force. Indirect marketing involves distributed through a set of intermediaries like distributors, wholesalers and retailers. The retailer is a middleman who links the producer to the ultimate consumer. The retailer is a person or an agent or company or organization instrumental in reaching the goods or merchandise or services to the end user or ultimate consumers.

Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. Retailer is responsible for matching supplies of manufacturers with the demand of consumers. The retailer performs many activities like anticipating and forecasting consumer requirements, developing an ideal assortment of products, acquiring and processing, marketing information, bulk breaking to
suit individual customer requirements and sometimes performs the financing function. Many institutions, including manufacturers, wholesalers also do retailing. Although most retailing is done in retail stores, in recent years non-store retailing has been growing much faster than in-store retailing. Non-store retailing includes selling to final consumers through direct mail, catalogues, telephone, Internet, TV home shopping, shows, home and office parties, door-to-door contact, vending machines and other direct-selling approaches. In some distribution channels, independent firms perform manufacturing, wholesaling and retailing activities. But most distribution channels have some vertical integration in which one firm performs more than one level of activity in the channel. In India, firms such as Pantaloons, Reliance and ITC do manufacturing, wholesaling and retailing functions. Some of them buy directly from manufacturers and send them to the warehouses for storage and distribute the merchandise to their customers, whereas others integrate their manufacturing process with the final delivery to consumers.

Retailing differs from marketing in the sense that it refers to only those activities, which are related to marketing goods and/or services to final consumers for personal, family or household use, Marketing however, is an integrative process of planning and executing the conception, pricing, preservation and distribution of ideas, goods and sources to create exchanges that satisfy individual and organization objectives. Retailing is an intrinsic
part of our daily life. We cannot survive in a mass produced, mass distributed and mass consumed world without retailing. A strong retail network provides an easier access to a variety of products gives freedom of choice to consumers at one point and also augments higher levels of consumer service. A successful retailer has to satisfy the customers through a high level of customer service and wide assortments of goods and services of customer’s choice. Retailer’s survival is driven by the price command of the products he keeps in his store because he gets a percentage as a part of his revenue from the final price of the product. There can be different kinds of retailing formats depending on their size, number of lines, merchandise product policy, nature of promotion and expense control measures.

Retailing has come to be recognized as a discipline due to rapid growth in market coverage and investments in this sector in India and the world. It is also observed that the powers have slowly started moving out of the brands into the retailer’s hand due to their proximity with customers and improvement in customer service. There has been a revolution in the retail industry. Almost all retailing business is experiencing this change where mass produced products are being served to mass consumers through retail platforms, allowing the customer to choose from wider assortments.

3.2 TRADITIONAL RETAIL SCENE IN INDIA

There are various factors responsible for retail revolution across the globe, including India. There has been a big change in the consumer
demographics and consumers are slowly becoming affluent due to economic developments and increase in income levels. There are more players in the competition now, which implies that the market has changed from a seller’s market to a buyer’s market. The expanding information technology has also augmented formal retailing by integrating multi location, multi product distribution through a common hub. Looking at the volume of market, retailers as well as manufacturers emphasize lower costs and affordable prices. Retailers emphasize convenience and service by focusing on organizational productivity. There is a high level of successful experiments going on retailing formats. There is also a parallel growth happening in non-store retailing due to the emergence of Internet technology.

India has the most unorganized retail market. Traditionally, small retailers have shops in the front and houses at the back of such stores. These stores are known as ‘Mom & Pop’ stores. More than 99% retailers function in less than 500 sq. Ft. of area. All the merchandise is purchased as per the taste and whim and fancies of the proprietor. The retailers decide prices on an ad hoc basis or by seeing the face of the customer. Generally, the accounts of trading and the household are not maintained separately. Profits are accumulated in slow moving and non-moving stocks which often become redundant or consumed in-house by the retailer.

Very often profits vanish without their knowledge, as retailers do not separate between personal and business transactions. The manufacturers
distribute goods through C&F agents to distributors and wholesalers. Retailers happen to source the merchandise from wholesalers and reach the end-users. The merchandise Price gets inflated to a great extent when it reaches from the manufacturer to the end-user. Selling prices were largely not controlled by manufacturers. Branding was not an issue for the majority of customers. More than 99% customers were price sensitive and not quality or brand sensitive.

There were weekly bazaars in many small towns and customers bought commodities, including livestock from these markets. Bargaining was the unwritten law of the market. The educational qualification level of these retailers is low. Hence, the market was controlled by a handful of distributors. Virtually there was only one format of retailing and that was mass retail. Retailer to consumer ratio was very low in all the categories without exception. Variety in terms of quality, styles were on a regional basis, community based and at any given single place there were very few ranges of products available. Almost all the purchases/buying by mass population was need oriented and next turn may be at festivals, marriages, birthdays and some specific occasions.

Impulsive buying or consumption was restricted to food and vegetables. Having an extra pair of trousers or shirts or casuals, formal and leisure wear, sportswear and different pair of shoes for occasions is till date a luxury for the majority population, except for those living in Metros.
The purchasing power of Indian urban consumer was very low and that of branded merchandise in categories like apparels, cosmetics, shoes, watches, beverages, food, jewelry are only now slowly seeping into the lifeline of Indian city folks. However, electronic and electrical home appliances hold an appropriate image in the mind of consumers. Stand name does matter in these white goods categories. In the coming times, the majority of organized retailers will find it difficult to keep balance with the rest of the huge unbranded retail market.

3.3 FUNCTIONS OF RETAILING

Retailers are crucial players in the emerging market scenario. Large brands are running first to get into the ‘desired retail formats to cater to the growing middle class of India. The retailers perform various functions like providing assortments, sorting, breaking the bulk, rendering services, bearing risk, channel of communication, transport and advertising and holding inventory. They significantly contribute towards increasing the product value and satisfying the consumers.

3.3.1. *Providing Assortments*: Offering an assortment enables customers to choose from a wide selection of brand design, sizes, colors, and prices in one location. Manufacturers specialize in producing specific types of products, for example, Kellogg’s makes breakfast cereals, Campbell makes soups. If each of these manufacturers had its own stores that only sold its own products, consumers would have to go to many
different stores to buy groceries to prepare a single meal. Retailers offer an assortment of multiple products and brands for consumer convenience.

3.3.2. Sorting: Manufactures make one single line or multiple product lines and will always prefer to sell their entire output to fewer buyers to reduce their costs. Final consumers will prefer to buy from a large variety of goods and services to choose from and usually buy in smaller quantities. Retailers have to balance between demands of both the sides, by collecting a combination of goods from different producers, buying them in large quantities and selling them to individual consumers in smaller quantities. The above process is called sorting and under this process, the retailer undertakes activities and performs functions that add value to their products and services while selling them to consumers. A shopping supermarket of Pantaloon in the name of ‘Big Bazaar’ sells 20,000 assortments from 900 companies. Customers can choose from such a basket in just one location. There are specialized retailers like Nilgiris or Barista, which offers specialized assortments of a single product line.

3.3.3. Breaking Bulk: Retailers offer the products in smaller quantities tailored to individual consumer household consumption patterns. This reduces transportation costs, warehouse costs and inventory. This is
called breaking bulk. The word ‘retailing’ is drawn from French, which means ‘cutting a piece which shows the true function of a retailer

3.3.4. Rendering Services: Retailers render services that make it easier for customers to buy and use. They provide credit facilities to the customers. They display products, which attract the customers. Retailers keep ready information on hand to answer queries of the customers. They provide services by which ownership can be transferred from the manufacturer to the end consumers with convenience. They also product guarantees from the owner’s side, after sales service and dealing with consumer complaints. Retailers also offer credit to consumers and develop hire purchase facilities to enable them to buy a product immediately and pay the price at their ease. Retailers also fill orders, promptly process, deliver and install the product at customer point. Retail sales people answer the customer complaints and demonstrate the product for the customer to evaluate before making a choice. They also help in completing a transaction realizing a sale.

3.3.5. Risk Bearing: The retailers bear a different kind of risk to the manufacturers and wholesalers. Even the customers can come back to the retail point and return the product. In that case, the risk of ownership many times rests with the retailers. Many companies have
bought back schemes and return schemes whereby the retailers can always return the unsold items.

3.3.6. **Holding Inventory:** A major function of retailers is to keep an inventory so that the products will be available for consumers. Thus, consumers can keep a much smaller inventory of products at home because they easily access from the nearby retailers. Retailer’s inventory allows customers the instant availability of the products and services.

3.3.7. **Channel of Communication:** Retailers are the bridge between the manufacturer or his representative and the end customers. They serve as a two-way channel of communication. The manufacturer collects customer choice and preference data and provides information about existing and new products through the retailers. The point of purchase displays provides information about new products and many times the retailers inform the consumers about the likely date of availability of a product or entry of variants into the market. The shoppers get a chance to learn about products and services from the stores and even acquire trial habits by seeing others buying a product or service in the store. The manufacturer collects customer data, data on gaps in demand and supply cycles and customer satisfaction from retail points.

3.3.8. **Transport and Advertising Function:** Retailers also help with transport and advertising function. The larger assortments are
transported from wholesaler’s point to retailers' point by retailer’s own arrangements and many times, the retailer delivers the goods at the final consumer’s point. So, retailers provide assistance in storage, transportation and advertising and pre-payment merchandise. The percentage that a retailer gets from the sale price depends on the number of functions that the retailer does for the manufacturer.

3.4 IMPORTANCE OF RETAILING

Retailing is the last stage in a channel of distribution, which comprises all the business and the people involved in the physical movement and transfer of ownership of goods and services from producer to customer. The retailers play a key role as the contact between manufacturers, wholesalers, and other suppliers and the final consumer. Retailers collect an assortment of goods and services from various sources, buy them in large quantities, and offer to sell them in small quantities to consumers. As a result, each manufacturer becomes more efficient, and the final consumers are pleased with the available selection.

Wide retail assortments let consumers do one-stop shopping, and they can choose and buy the product version and at the amount desired. Retailers communicate, both with customers and with manufacturers and wholesalers. From ads, sales people and displays, shoppers learn about the availability and characteristics of goods and services, store hours, sales and so on. Manufacturers, wholesalers, and others are informed about sales forecast
delivery delays, customer complaints, defective items, inventory turnover (by style, colors, and size), and more. Many goods and services have been modified due to feedback received from suppliers.

Retailers can provide assistance with transporting, storing, marketing, advertising, and making pre-payment for merchandise. Retailers also complete transactions with customers. This means striving to fill orders promptly and accurately and often involves processing customer credit via the retailers or other charge plan. In addition, retailers also provide minor services like gift-wrapping, delivery, and installation.

Table 3.1
How the retailer meets the expectations of both manufacturers and customers

<table>
<thead>
<tr>
<th>Manufacturer’s Expectations about retailers</th>
<th>Customers’ Expectations from retailer</th>
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<tbody>
<tr>
<td>1. To promote the product</td>
<td>1 - Offer high quality/low prices</td>
</tr>
<tr>
<td>2. Make product visible</td>
<td>2. Hire a knowledgeable sales force</td>
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<tr>
<td>3. Be knowledge about its use</td>
<td>3. Provide prompt service</td>
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<tr>
<td>4. Provide a necessary service</td>
<td>4. Provide service after sales</td>
</tr>
<tr>
<td></td>
<td>5. Offer an easy return policy</td>
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Hence, this lets the manufactures reach more customers, reduce costs, improve cash flow, increase sales are rapidly and focus on its area of expertise.

3.5 RETAIL ECONOMICS IN INDIA

The organized retail network was seen only in fabrics, with large mills building their own exclusive show rooms like Raymond’s and Bombay Dyeing. Apart from accessories stores, retail universe in India comprises large, medium, small, chemists and paan-bidi stores). Of these stores the numbers of paan-bidi outlets are on a steady rise. On account of the fragmented nature of Indian retail industry, the inhabitants to stores ratio in India is about 150:1, i.e. there is a store catering to every 150 people. This ratio varies from country to country. In China, the ratio is similar to that of India whereas in the case of more developed countries, the ratio will be higher. For instance, in Europe, the inhabitant to stores ratios is 2000:1. As markets mature, consumer expectations rise. So, it is necessary for small retailers come together and form innovative and strong supply chain that will cut through distribution and increase margins. This is popularly known as a retail clustering phenomenon. The other important factors contributing towards the emergence of a strong retail economy in India include faster turnaround time, the birth of an attractive market due to a strong consumption cycle.
3.5.1 Turnaround Times: In the last couple of years, this industry has made strong movements from a nascent organized market to a growing market. Organized retailing started picking up in southern India; Availability of land at prized locations, coupled with cheaper real estate prices (compared to Mumbai and Delhi) made it possible to have multi storied shopping complexes in south India. It took two years of recession to get this concept of shopping to major cities like Mumbai and Delhi in the early 2000. The recession brought property prices down in these cities. It was during this period of industry slump that big business houses took notice of the potential in retailing. Trent is a Tata group company which has made a foray into organized retailing through its ‘Westside’ stores in various cities in India.

3.5.2 Consumerism Cycle: Consumer cycle starts with industry dictating the market, which helps the distributor to gain control over the market. At this stage, the distributor becomes an important link between manufacturer and customer. When markets start developing further, expanding its horizons, suddenly retailers turn out to be a vital point in this supply chain. So, we are entering into this third stage where retailers will control the market. With shopping attitudes of people changing, Indian market today desires for value added products and services with good ambience and brands, which only a retailer can provide. Whereas developed countries have reached the final stage where customer dictates the assortment. Developed markets have now reached a stage wherein consumers are willing to save on
price by going to discount stores, where the ambience and services are low and goods are Unbranded.

Today the number of smaller retailers with a business less than Rs. 40000 per annum has grown to a greater percentage, whereas the number of large stores with a turnover of Rs. 150,000 has increased from 2.8% to 6.5%. So, the smaller outlets are growing faster than the large retailers. However, changing shopping attitudes of an average customer will make future growth increasingly difficult for the unorganized retail sector.

Organized retailing accounts for 6% of the industry turnover, comprising value-added foods worth Rs.770 billion, music and entertainment worth Rs. 40 billion and color cosmetics worth Rs. 12 billion. Big business houses today are in a position to provide Indian masses with shopping satisfaction, entertainment, quality products, polite salespersons, product information and discounts. Though current margins are low due to high property cost and poor infrastructure, this scenario is going to change, Retailing is the only business where one buys on credit and sells for cash. Further, there are 30 million houses with an annual income of more than Rs. 150,000 and this is expected to grow to 80 million by 2008. Financial institutions are encouraging such ventures, as there is permission for opening up of branded foreign retail outlets in India
3.6 RETAIL FORMATS

There are various types of retail formats seen in the Indian retail environment. The growth in retail power, influence has originated from the concentration of trade in the hands of the few, larger enterprises. The change in the retail industry is due to various factors like liberalization, changes in regulation, globalization and consumer preferences. While international chains are looking for newer markets and manufacturers; the producers are also looking for different kinds of retail formats to cater to their target markets.

3.6.1. Mom and Pop Stores and Kirana Stores: Pop and Mom stores are the traditional independent stores, which are spread across the country and cater to a large chunk of the population. The real growth in Indian retailing is happening in these kinds of stores. Though the emergence of organized formats has brought more competition to the Pop and Mom stores and Kirana stores, but the level of proximity, these stores enjoy has given them a comparative advantage over others. Such kinds of stores are found everywhere in India and mostly in small towns in India.

3.6.2. Department Stores: Examples of such kinds of stores include JC Penney, Sears and Montgomery Ward dominated malls and downtowns. A department store must have at least 2500 square meters of space. It must offer a product range that is both wide and deep in
several product categories. These kinds of stores are slowly becoming non-profitable. These players are not going out of the market, but they are turning out to be variety stores to cater to larger markets.

3.6.3. **Discount Stores:** These are big stores like Wal-Mart, which is the biggest retailer in the world. These, along with category killers have changed the landscape of the retail industry. The discount stores are likely to dominate the future retailing in India. These big stores achieve economy of scale and hold substantial power in the market. Their capacity and technology usage is so high that they control more of the marketing network than the manufacturer.

3.6.4. **Category Killers:** These retailers dominate one area of merchandise like sports goods, office depot’s etc. These category killers buy such a huge quantity that they can offer prices at abysmally low levels, which even manufacturers cannot match. The future of this category of stores is brighter than many of the general discounters.

3.6.5. **Specialty Stores:** These stores include Body Shop, Crate and Barrel and Victoria Secrets. These stores concentrate on one type of merchandise and offer in a manner that makes it special. Some of these stores are high-end stores like Tiffany’s. Many of these stores also cater to price conscious customers. Many of these stores are so successful that departmental stores have started following such
models. There is likely to be a growth in home furnishing and home improvement category of specialty stores.

3.6.6. Superstores and Hyper Markets: The supermarkets and hypermarkets are becoming more popular in the face of declining of departmental stores. These stores are situated outside traditional shopping centers and enjoy greater accessibility by car, greater economies of scale and the benefits of being built. They become anchor stores of retail, warehouse parks and of many partnership schemes such as Spence-Tesco. While a super store is around 25000 square feet of selling space, a hypermarket has around 50000 square feet of selling space. These are large stores selling primarily groceries in some countries. In many countries the term implies large stores and special formats, offering a strong depth of assortments.

3.6.7. E-tailers: Many of the popular store formats have their online storefronts, but there is a growing class or e-tailers or virtual retailers in the Internet space. One of the successful models is www.amazon.com. Another popular discount e-tailer is www.priceline.com, which uses a reverse auction pricing model to cater to the online shoppers. Since e-commerce and online shopping are on a rise, we are likely to see more successful e-tailers in the coming period of time.
3.7 DEPARTMENTAL STORES

A department store is a retail establishment which specializes in satisfying a wide range of the consumer's personal and residential durable goods, product needs; and at the same time offering the consumer a choice multiple merchandise line, at varying price points, in all product categories. Department stores usually sell products including apparel, furniture, home appliances, electronics, and additionally select other lines of products such as paint, hardware, toiletries, cosmetics, photographic equipment, jewellery, toys, and sporting goods. Certain department stores are further classified as discount department stores. Discount department stores commonly have central customer checkout areas, generally in the front area of the store. Department stores are usually part of a retail chain of many stores situated around a country or several countries.

3.7.1 OPERATIONAL DEFINITION

Generally a large retail store offering a variety of merchandise and services and organized into separate departments. A Department Store is defined in a Business Dictionary as: “A large retail store having a wide variety of merchandise organized into customer-based departments. A department store usually sells dry goods, household items, wearing apparel, furniture, furnishings, appliances, radios, and televisions, with combined sales exceeding $10 million”.
Britannica Concise Encyclopedia defines it as a “Retail establishment that sells a wide variety of goods. These usually include ready-to-wear apparel and accessories, yard goods and household textiles, house-wares, furniture, electrical appliances, and accessories. In addition to departments (supervised by managers and buyers) for the various categories of goods, there are departmental divisions to handle, for example, merchandising, advertising, service, accounting, and financial strategy”.

3.7.2 EVOLUTION OF THE DEPARTMENTAL STORES

In 1838 Aristide Boucicaut started the Bon Marche store in Paris that evolved into the first department store by 1852, displaying a wide variety of goods in “department” under one roof at a fixed price, no haggling or bargaining, with a “money-back guarantee” allowing exchanges and refunds, employing up to 4000 with daily sales of $300,000. In 1848, Alexander Stwart built his Marble Palace at Broadway and Chambers Street in New York City, a much larger version of his try goods store at 283 Broadway that he started in 1823. In 1862 Stewart built a true department store at Broadway with 8 floors on 2.5 acres, up to 2000 employees. The 19 departments included “silks” and “dress goods” and toys and sports.

3.7.3 DEPARTMENT STORES – INDIAN PERSPECTIVE

India has sometimes been called a nation of shopkeepers. The epithet has its roots in the huge number of retail enterprises in India, which totaled over 12 million in 2003. India’s retail sector appears underdeveloped not
only by the standards of industrialized countries, but also in comparison with several other emerging markets in Asia and elsewhere. There are only 14 companies that run department stores and two with hypermarkets. While the number of business operating supermarkets is higher (385 in 2003), most of these had only one outlet. The number of companies with supermarket chains was less than ten. Sales through supermarkets and department stores are small compared with overall retail sales. However, their sales grew much more rapidly (about 30 percent per year during the review period). As a result, their sales almost tripled during this time. This high acceleration in sales through modern retail formats is expected to continue during the next few years with the rapid growth in the number of such outlets in response to consumer demand and business potential.

Indian retail is expanding at a rapid pace, driven by changing lifestyles, strong income growth and favorable demographic patterns. According to At Kearney’s annual Global Retail Development Index (GRDI), the country may have 600 new shopping centers by 2010. Mall space is expected to touch an estimated 60 million square feet by end-2008.

3.8 CUSTOMER SATISFACTION

Customer is a critical issue in the success of any business system, traditional (or) online. In a turbulent commercial environment, in order to sustain the growth and market share, companies need to understand how to satisfy customers, since customer satisfaction is critical for establishing
long-term client relationships. It is evidenced by the fact that over the last five years, customer satisfaction surveys have become common in many financial institutions. Thus a fundamental understanding of factors impacting customer satisfaction is of great importance to commerce. To understand satisfaction, we need to have a clear understanding of what is meant by customer satisfaction. Customer satisfaction is defined as a result of a cognitive and affective evaluation, where some comparison standard is compared to the actual perceived performance. If the perceived performance is less than expected, customers will be dissatisfied. On the other hand, if the perceived performance exceeds expectations, customer will be satisfied.

The relationship between satisfaction and service quality is the key to measure user satisfaction. Few scholarly studies, to date, have been undertaken to identify quality dimensions and detailed aspects of services and their relationships with customer satisfaction. One of the most widely used instruments for assessing customer satisfaction is SERVQUAL developed by Zeithmal et al., (1988). Researchers have paid much attention to the close relationship between service quality and customer satisfaction. SERVQUAL is widely recognized and used, and it is regarded as applicable to a number of industries, including the electrical industry.
Early concepts of satisfaction research have typically defined satisfaction as a post choice evaluates judgment concerning a specific purchase decision. Most researchers agree that satisfaction is an attitude (or) evaluation that is formed by the customer comparing their pre-purchase expectations of what they would receive from the product to their subjective perceptions of the performance they actually did receive.

3.8.1 Definition of Customer Satisfaction

Several authors have defined satisfaction in a different way. Some definition of customer satisfaction that will give us a clear idea about satisfaction concept is described below.

- Satisfaction is a person’s feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome), in relation to his or her expectation”. -Kotler (2008)
- Satisfaction is a function of consumer’s belief that he or she was treated fairly.

All marketing starts with the consumer. The consumer may be referred to anyone engaged in evaluating, acquiring, using or disposing of goods and services, which he expects, will satisfy his needs. Many salesmen extend cordial treatment and service only to those customers who buy enough from them. But smaller customers may prove to be the major purchasers in the course of time.
3.8.2 Service Quality and Customer Satisfaction

Service quality has been the subject of considerable interest by both practitioners and researchers. An important reason for the interest in service quality by practitioners results from the belief that this has a beneficial effect on bottom-line performance for the firm. However, practitioners often tend to use the terms service quality and customer satisfaction interchangeably. Among academics the satisfaction construct is recognized as being distinct and has developed along fairly independent lines from service quality. Most experts agree that customer satisfaction is a short term, transaction specific measure, whereas service quality is an attitude formed by a long-term overall evaluation of a performance.

As a process in time, service quality takes place before, and leads to overall customer satisfaction. Service quality has been found to be an important input to customer satisfaction. Cronin and Taylor (1992) originally hypothesized that satisfaction is an antecedent of service quality, their research with multi industry sample showed in a LISREL analysis, an opposite relationship. Service quality appears to be only one of the service factors contributing to customers’ satisfaction judgments.

A number of academics such as Parasuraman, Zeithmal and Berry (1985, 1988, 1994); Gronroos (1984) and others have tried to identify key determinants by which a customer assesses service quality and consequently results in satisfaction or not. Jayawardhena and Foley (2000) suggested that
service quality futures in internet banking websites are critical to enhance customer satisfaction. Internet banking, unlimited access to a variety of financial transactions and quality levels of bank products are becoming a key driving force in attracting new customers and enhancing customer satisfaction. Retention is a major challenge, particularly in internet-based services as customers can easily switch from one service provider to another at low cost.

*Luther W., Manolls C., and Winsor, R. D. (2000)* examined the effects of service quality on customer satisfaction in private banking by using two well known measures, the SERQUAL and the technical/functional quality. They compared and contrasted empirically the SERQUAL and the technical or functional quality model. They tried to compare the various dimensions of the two service quality models and their effects on satisfaction. In their study, they mentioned customer satisfaction is a multidimensional construct, and that these dimensions will be differentially impacted by the various components of service quality.

### 3.8.3 The Benefits of Customer Satisfaction

Overall customer satisfaction should be a more fundamental indicator of the firm’s performance due to its links to behavioral and economic consequences beneficial to the firm. Internally, improving quality and customer satisfaction reduces costs associated with defective goods and services.
In most markets, the quality of service and customer satisfaction is an important consideration in a purchase decision. Studies have shown that customers place considerable value on the quality and responsiveness of an organization’s service component, as well as product quality and availability, in making purchase decisions.

*Bebko, C.P. (2000)* points out that providing good service, enhances a company’s image and its ability to attract new customers, makes it easier to do business with existing customers, and promotes cross-selling opportunities. He cites studies, which show that companies rated highly on service and customer satisfaction can charge up to a ten percent premium over their competitors who are rated poorly.

### 3.9 SERVICE QUALITY

#### 3.9.1 Service

It is important to distinguish between a service and goods. Most goods are tangible (an object while services are more of an act (a deed, performance or an effort). There is many definitions of service in the literature may depend on the author and fours of the research (Gronroos, 1984). However, one of the most important and unique characteristics of services is that the service is processed, not things, which means that a service firm has no product, only interactive processes. He offers a comprehensive definition of services where service is “an activity (or) series of activities of a more or less intangible nature than normal,
but not necessarily, take place in the interaction between the customer and service employee and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customers' problems.

3.9.2 Quality

Needs, wants, requirements and expectations are something that everyone has; furthermore, it is essential for services and products to fulfill the purpose for which they have been acquired and for life to have needs. Everyone has basic physiological needs. Food, water, clothing and shelter are needs that are necessary to sustain life. After those needs are fulfilled, safety emerges, followed by social needs and finally self actualization or the need to realize one’s full potential. The following figure shows the hierarchy of needs Hoyle, (2001).

3.9.3 Service versus Goods

Although many approaches to quality improvement apply equally to goods and services, there are conceptual differences between the two. Some of the more important differences can be noted as follows:

1. Services are not as tangible as goods, and it can therefore be difficult to explain, specify, and measure the contents of a service.

2. As services are more abstract than goods, services are perceived and evaluated more subjectively

3. The customer often plays an active role in creating a service
4. A service is often consumed at the same time as it is created; it cannot therefore be stored or transported.

5. The customer doesn’t become the owner of the tangible property of a delivery of a service.

6. Service often consist of a series of consequential activities; this makes it difficult (or impossible) for the consumer to test them before the purchase.

7. Services often consist of a system of sub – services, but the customer usually evaluates the whole and not the separate parts.

A related issue that complicates the quality of services is their heterogeneous character. This means that the experience of a particular service can differ from time to time. Services are heterogeneous because both the consumer and the service provider have a significant influence on the production and delivery process. It is thus especially important that service be properly designed from the beginning, because they cannot be stored, exchanged or redone.

3.9.4 Various Dimensions of Service Quality

Research suggests that customers do not perceive quality in a one-dimensional way, rather judge quality based on multiple factors relevant to the context. For example, quality of automobiles is judged by such factors as reliability, serviceability, prestige durability, functionality, and ease of use, whereas quality of food products might be assessed on other dimensions.
(favor, freshness, aroma and so on). Similarly, specific dimensions of service quality have been identified through the pioneering research Parasuraman, Zeithaml, and Berry. Their research identified five specific dimensions of service quality that apply across a variety of service contexts. The five dimensions defined here are shown in the following figure.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Reliability</strong></td>
<td>The ability to perform the promised service dependably and accurately.</td>
</tr>
<tr>
<td><strong>Responsiveness</strong></td>
<td>The willingness to help customers and provide prompt service.</td>
</tr>
<tr>
<td><strong>Assurance</strong></td>
<td>The employees’ knowledge and courtesy and their ability to inspire trust confidence.</td>
</tr>
<tr>
<td><strong>Tangibles</strong></td>
<td>The appearance of physical facilities, equipment, personnel and written trials.</td>
</tr>
<tr>
<td><strong>Empathy</strong></td>
<td>The caring, individualized attention given to customers.</td>
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### 3.9.4.1 Tangibles

Representing the Service, Physically Tangibles is defined as the appearance of physical facilities, equipment, personnel and communication materials. All of those provide physical representations or images of the service that customers, particularly new customers, will use to evaluate quality. Service industries that emphasize tangibles in their strategies include hospitality services where the customer visits the establishment to receive...
the service, such as restaurants and hotels, retail stores, and entertainment companies. Although tangibles are often used by service companies to enhance their image, provide community and signal quality to customers, most companies combine tangibles with another dimension to create a service quality strategy for the firm (for example, Jiffy Lube emphasizes both responsiveness and tangibles – providing fast, efficient service and comfortable, clean waiting area). In contrast, firms that don’t pay attention to the tangible dimension of the service strategy can confuse and even destroy an otherwise good strategy.

3.9.4.2 Reliability: Delivering on Promises

Of the five dimensions, reliability has been consistently shown in the most important determinant of perceptions of service quality among U.S customers. Reliability is defined as the ability to perform the promised service dependably and accurately. In its broadest sense, reliability means that the company delivers on its promises- promises about delivery, service provision, problem resolution and pricing. Customers want to do business with companies that keep their promises, particularly their promises about the service outcomes and core service attributes. One company that effectively communicates and delivers on the reliability dimensions is Federal Express (FedEx). The reliability message of Fedex -“absolutely, positively has to get there” – reflects the company’s service positioning. But
even when firms do not choose to position themselves explicitly on reliability as FedEx has, changes are more that they may fail.

All firms need to be aware of customer expectations of reliability. Firms that do not provide the core service that customers think they are buying failed their customers in the most direct way.

3.9.4.3 Responsiveness: Willing to Help

Responsiveness is the willingness to help customers and to provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customer requests, questions, complaints and problems, responsiveness is communicated to customers by the length of time they have to wait for assistance, answers to questions, or attention to problems. Responsiveness also capture the notion of flexibility and ability to customize the service to customer needs. To excel on the dimension of responsiveness, a company must be certain to view the process of service delivery and the handling of requests from the customer’s point of view rather than from the company’s point of view. Standards for speed and promptness that reflect the company’s view of internal process requirements may be very different from the customer’s requirements for speed and promptness. To truly distinguish themselves on responsiveness, companies need well-staffed customer service departments as well as responsive front – line people in all contract positions. Responsiveness perceptions diminish when customers wait to get through a company by telephone, are put on hold, are
put through to a phone mail system, or have trouble accessing the firm’s website.

3.9.4.4 Assurance: Inspiring Trust and Confidence

Assurance is defined as employees’ knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. The dimension is likely to be particularly important for services that the customer perceives as involving high risk and / or about which they feel uncertain about their ability to evaluate outcomes – for example, banking, insurance, brokerage, medical and legal service. Trust and confidence may be embodied in the person who links the customer to the company, such as securities brokers, insurance agents, lawyers, or counselors. In such service contexts the company seeks to build trust and loyalty between key contact people and individual customers. The ‘personal banker’ concept captures this idea customers are assigned to a banker who will get to know them individually and who will coordinate all of their banking services. In other situations, trust and confidence are embodied in the organization itself. Insurance companies such as Allstate (“You are in good hands with Allstate”) and Prudential (“Own a piece of the rock”) illustrate efforts to create trusting relationships between customers and the company as a whole. In the early stages of a relationship, the customer may use tangible evidence to assess the assurance dimension, visible evidence of degrees, honors and
awards and special certifications may give a new customer confidence in a professional service provider.

3.9.4.5 Empathy: Treating Customers as Individuals

Empathy is defined as the caring, individualized attention the firm provides its customers. The essence of empathy is conveying, through personalized or customized service, that customers are unique and special. Customers want to feel understood by and important to firms that provide services to them. Personnel at small service firms often know customers by name and build relationships that reflect their personal knowledge of customer requirements and preferences. When such a small firm competes with a larger firm, the ability to be empathetic may give the small firm a clear advantage? In business-to-business services, customers want supplier firms to understand their industries and issues. Many small computer consulting firms successfully compete with large vendors by positioning themselves as specialists in particular industries. Even though larger firms have superior resources, the small firms are perceived as more knowledgeable about customers issue and needs and are able to offer more customized services.