CHAPTER-2

LITERATURE SURVEY

2.1 INTRODUCTION

Mankind is witnessing one of the greatest revolutions that has happened on the face of this earth. Of the several great revolutions witnessed so far like the stone-age revolution, Iron-age, Industrial revolution, Computer revolution, etc., what is happening now is unique in several ways. It encompasses all nations, all humanity and is setting a trend that is addressing the very nature of human being and the life on the earth. That is CHANGE. In its wake has come in the buzzword QUALITY. With the ever changing expectation of man and increasing demand for better product and services the world over and with more and more organisations coming up to meet this demand, competition has become extremely severe. Consequently, quality and customer satisfaction has become the main tool for survival and growth of any industry. With the global liberalisation and free market economy, the quality and customer satisfaction have become basic pre-requisite for business throughout the world.

In an era of continuous improvement, leading to an exciting world reality would most often surpass imagination and expectations. Before we delve into the details of total quality service, let us try to understand the meaning of the word "quality". What is quality? It is one of the most commonly used and yet least understood of terms.

In simple terms, the word quality signifies something good enough or excellent. However, when it comes to define the word QUALITY, we find ourselves in quandary. In the words of Garvin (1988), quality is an unusually slippery concept, easy to visualise and exasperating and difficult to define. Different scholars and experts in the field have defined quality in a variety of ways.
Its diverse conception has brought to the fore several and sometimes incompatible definitions. Such definitions according to Wilkinson Adrain Redman TQM: Snape, Ed and Marchington, Mick (1998), include: 'conformance to standards, specification or requirements', 'Fitness for use', 'Excellence', 'Meeting or exceeding Customer expectations', 'Right first time', 'Zero defects', 'Customer satisfaction', etc. The International Standards Organisation ISO 8402 Glossary of terms defines quality as "The totality of features and characteristics of a product or service that bears on its ability to meet a stated or implied need". It recognises that customers' needs can be defined in terms of safety: usability; availability; versatility; compatibility with other products; reliability; maintainability; overall cost (including purchase price, maintenance costs, and product life); environmental impact; or other desired characteristics. Johnson (1993) defined quality as the capability of the products or services to knowingly satisfy those pre-conceived composite wants of the user(s) that are intelligently related to the characteristics of performance, and do not cause major overt or covert reactions or actions by other people. Quality is thus, both a user oriented and production oriented expression.

Dimensions of Quality

The dimension of quality, Table 2.1, shows the various characteristics that form the composite view of quality. This is based on Garvin's eight dimensions of product quality. Another dimension of 'response' was added by Paul E and Plerk (1987) and more generic explanations were given to the terms to market the list, which apply to both services and products. Example of the various dimensions of quality, support a broad understanding of what quality might mean, and provide a framework for planning for quality at the marketing/development interface for a new product or service.
**DIMENSIONS OF QUALITY TABLE: 2.1**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Meaning</th>
<th>Service example (&quot;checking account at bank&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Primary product or service Characteristics.</td>
<td>Time to process customer's request</td>
</tr>
<tr>
<td>Features</td>
<td>Added touches, “bells” and “whistles”, “secondary characteristics”.</td>
<td>Automatic Bill paying</td>
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<tr>
<td>Conformance</td>
<td>Match with specifications, documentation, or industry standards.</td>
<td>Accuracy.</td>
</tr>
<tr>
<td>Reliability</td>
<td>Consistency of performance over time.</td>
<td>Variability of time to process requests.</td>
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<tr>
<td>Durability</td>
<td>Useful life.</td>
<td>Keeping pace with industry's trends</td>
</tr>
<tr>
<td>Serviceability</td>
<td>Resolution of problems and complaints</td>
<td>Resolution of errors.</td>
</tr>
<tr>
<td>Aesthetic</td>
<td>Sensory characteristics like sound, feel, look, etc.</td>
<td>Appearance of Bank Lobby.</td>
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<tr>
<td>Reputation</td>
<td>Past performance and other intangibles.</td>
<td>Advise of friends</td>
</tr>
<tr>
<td>Response</td>
<td>Characteristics of the human-to-human inter-face like timeliness, courtesy and professional</td>
<td>Courtesy of Teller.</td>
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</tbody>
</table>

This framework for defining quality is comprehensive. All the words or phrases that are used to define the concept of quality can fit under one of these nine dimensions.

Quality Management efforts must start at the marketing/development interface if a company is to achieve competitive advantage through quality in launching a new product or service. Quality must be planned and designed from the earliest phases of the product/service realisation process. Quality is not a feature that can easily be added to a new product or service at some point in the process. But this seems to be the underlying assumption in quality management strategies that focus on the factory or service delivery point and rely on inspection, rework, and customer complaints to achieve quality.
2.2 SERVICE QUALITY

In today's highly competitive world providing quality service ensures success Parasuraman A; Zeithaml, Valerie A; and Berry; Leonard L (1985) Reichheld; Fredich F; and Sasser; W. Earl (1990) Zeithaml, Valerie A; Parasuraman A; and Berry; Leonard L (1990). The cardinal accent of both the academician and the business entrepreneur focused essentially on ascertaining the customer's perceptions of service quality, and subsequently contriving to stratify and to meet and surmount customer expectancies. Cronin J.J; and Taylor S.A; (1992, 1994), Teas; (1993, 1994) and Zeithaml, Valerie A; Parasuraman; and Berry; Leonard L (1996). A Number of Organisations have started venturing into multi–various approaches to achieve the quality of their services. Reichheld and Sasser (1990) have brought out that the true quality upheaval has shifted its focus to services.

Service companies are beginning to grasp the verities behind their manufacturing counterparts and have observed that quality has not improved unless it had been measured and driven by an impetus for its steady growth.

Parasuraman A; Zeithaml, Valerie A; and Berry; Leonard L. (1985) suggested three underlying themes after reviewing the previous writings on services;

1. Service quality is more difficult for the consumer to evaluate than goods quality,

2. Service quality perceptions result from a comparison of consumer expectations with actual service performance and

3. Quality evaluations are not made solely on the outcomes of service; they also involve evaluations of the process of service delivery.
Parasuraman A; Zeithaml, Valerie A; and Berry; Leonard L (1985) Defined perceived service quality as "global judgment, or attitude, relating to the superiority of the service". Swartz and Brown (1989) drew some distinctions between different views on service quality, drawing from the work of Gronroos (1983) and Lehtinen and Lehtinen (1982) concerning the dimensions of service quality. "What the service delivers is evaluated after the performance. (Swartz and Brown, 1989). This dimension is called outcome quality by Parasuraman A; Zeithaml, Valerie A; and Berry; Leonard L (1985), "technical quality" by Gronroos (1983) and physical quality by Lehtinen and Lehtinen (1982). "How" the service delivered is evaluated during delivery (Swartz and Brown, 1989). This dimension is called process quality by Parasuraman A; Zeithaml, Valerie A; and Berry; Leonard L (1985), "functional quality" by Gronroos (1983), and "interactive quality" by Lehtinen and Lehtinen (1982).

Parasuraman A; Zeithaml, Valerie A; and Berry; Leonard L. (1985) observed that service firms find it difficult to anticipate and comprehend what aspects insinuate high quality to consumers, and the levels of those aspects that are required to deliver high quality service. They elucidated that this perspicacity was in consonance with earlier research in services that suggested service marketers might not always conceive the logic behind consumers' reactions and responses. Gronroos (1982) also subscribed to this view stating that only when a service provider knew how the service would be assessed by the consumer, he/she would be in a position to propose how best to direct these assessments in the preferred direction.

Systematisation of Service Delivery (Non-Human element)

The service delivery represents the "HOW" of a service. It has two distinct and disparate features:

a) Human element of service delivers, which has been effectively addressed by the SERVQUAL
b) The processes, procedures, systems and technology that would make service seamlessness one.

The second aspect is a crucial as the first one. Customers would always like and expect the service delivery processes to be perfectly standardised, streamlined and simplified so that they could receive the service without any hassles, hiccups or undesired/inordinate questioning by the service providers. Zemke and Schaaf (1990) quoted that a study of 1500 consumers by Cambridge Reports, a Massachusetts-based research firm, found that 44% of the respondents indicated that "ease of doing business with" was the fundamental reason for choosing a financial firm.

Milakovich (1995) noted that process improvement has become the prime focus of the service quality revolution as he observed that the key to Total Quality Service (TQS) depends on understanding the process, as a mechanism to transmute knowledge and respond to customers faster than the competitors. Ahire LS; Landeros R; and Golhar D.Y. (1995) explained that the overall quality of the products or services could be made better by improving the quality of the processes either directly or indirectly. Spenley (1994) posited that the basic business processes go a long way in substantiating the quality of an organisation's products or services. Enhancement of technological capability (e.g. computerisation, networking of operations, etc.) plays a crucial role in establishing the seamlessness in service delivery.

Services marketing and product marketing are similar in many areas. Their goals are simple to attract customers, satisfy them, create loyalty and encourage repurchase. However, because of their integral differences, there are many marketing 'features' that researchers are not fully aware of, nor are they understood completely. By definition a service is said to have three characteristics intangibility, inseparability and variability or non-standardisation. Intangibility refers to the fact that services cannot be seen, felt, tasted, or touched.
They are not concrete. Therefore, they cannot be displayed, depicted, or even stocked. Inseparability occurs in the production and consumption. Services are sold and then produced and consumed at the same time. The customer usually takes part in the production and therefore effects the quality of the service. Non-standardisation means that the service cannot be exactly the same at every encounter. Quality can change from day to day due to the high amount of human involvement. The moods of people and their day to day efforts cannot be controlled. Their performance also depends on the level of demand.

Inventories cannot be kept thus resulting in service providers not always having the time needed to properly serve their clientele during peak seasons. De Brentani and Cooper (1992) go so far as to divide this aspect into two distinct features; variability and perishability. Variability refers to the impossibility of delivering the exact same service because of human factor. Perishability refers to the impossibility of stocking a service.

It is Shostak's (1985) definition of a service encounter that actually encompasses all aspects of the service firm with which the consumer may interact. This definition includes the company personnel, its physical features and other tangible elements. Due to the distinguishing features of services it has been implied that services firms have additional variables beyond the traditional 4Ps, namely, products, price, place and promotion. Customers are usually present during the 'service manufacturing' and interact directly with the firm's representatives. As previously stated, this is because services are produced and consumed simultaneously (Groonos 1983, 1981, Parasuraman, Zeithaml, and Berry 1985). Because of their essentially intangible processes, cues are often used to ascertain the firm's proficiency. Ordinarily, the only signs accessible are the company's marketing communications, physical facility, and employees.
Booms and Bitner (1981) proposed an expanded marketing mix for services to fill the gap between the four traditional elements and the definitional properties of a service. Therefore, the three new element become physical evidence (the physical surroundings and all tangible cues), participants (all human actors in the service encounter including firm personnel and other customers), and process (procedures, mechanisms, and flow of activities). These elements become part of the marketing mix as controllable variables.

2.3 DISTINCTIVENESS OF SERVICE QUALITY

The making of services has quickly become an important area of market research. Over the past twenty-five years, researchers have begun to explore the differences that exist between the marketing of goods and the marketing of services. The distinct dissimilarities have been defined by Kotler (1980) as intangibility, variability and inseparability. However, debate continues on the differences between it and its sibling product marketing. Questions are also beginning to arise concerning whether it is even appropriate to recognise these dissimilarities. In other words a full circle might be in the works. However, the major consensus is that strong distinctions do exist. There are some marketing manipulations that can be useful in service marketing that cannot exist in the marketing of material goods. These features can be exploited to the company's advantage in a service environment, but are not part of the package for products. Difficulty in evaluation demands that consumers depend on different cues and processes when evaluating services.

Both the organisational behaviour literature and the marketing literature have recognised the differences in an organisation that exist between the management of services and goods (Schneider and Bowen 1985), the accentuation has been on streamlining organisations for the delivery of the prototypical good in many different ways. Per contra, understanding how these defining features of services may warrant diverse strategies for marketing services has been the dominant interest of the marketing people.
Thus, the need and the logic for an independent treatment of services marketing centers on the subsistence of diverse attributes of services which are repeatedly cited in the literature; intangibility, inseparability of production and consumption, heterogeneity, and perishability (Zeithaml, V A; Parasuraman A; and L L Berry 1985). An analysis of these attributes is presented one by one.

Services are intangible when compared to physical goods (Levitt 1981). Bateson (1977) explained that there are two distinct characteristics of services viz., "palpable" intangibility, i.e. they cannot be touched; and "mental" intangibility, i.e. it is hard to anticipate exactly the outcome of a particular service. Bateson (1979) argued that intangibility is the perceived goods services differentiation on which all other differences are based. Products are tangible objects that exist in both time and space, while services consist of social acts or interactions and exist in time only (Berry 1980). Inseparability of production and consumption stems from the concurrent creation and consumption that delineates the majority of services (Gronroons 1978; Carmen and Langeard 1980; and Zeithaml, Parasuraman A; and L L Berry 1985).

The control and management of social events calls for certain special skills and techniques Stebbing (1993). Mills and Morberg (1982) highlighted that in service transactions, the raw material to be converted to service output to a great extent, depends on the facts and information furnished by the customer. Also, clients play crucial role in influencing the outcome of the transformation process as well.

Bowen and Schneider (1988) summarised that, fundamentally, services vary on a continua not only from goods but also from each other.
Although the different models offered by various researchers differ in the weights they assign to the several discriminating features of services such as intangibility, simultaneity of production and consumption, variability of service expectations, perishability and participatory role of consumers, they all converge to one issue, i.e. if the prototypical service differs from the prototypical good, then the systems by which these goods and services are produced and marketed will also vary.

2.4 THE SERVICE PRODUCT OR CORE SERVICE

The core service portrays the "CONTENT" of a service. What is delivered is as substantial as how it is delivered. Schneider and Bowen (1995) clarified that many a time managers get so involved with all the procedures, processes, and contexts for service, that they tend to overlook that there is also something called the "core service". Rust and Oliver (1994) defined that the service product is whatever service "features" are offered. Schneider and Bowen (1995) also argued that fancy facilities, modern equipment, stylish uniforms, and terrific signs can never disguise for bad/mediocre food, poor financial advice, an inappropriate will, or a lousy music. Hauser and Clausing (1988) also demonstrated the influence of diverse product (or service) attributes on customers' perceptions.

To quote an example, a bank's loan disbursal service with an associated credit terms and repayment modalities is a service product. The features that make up any service do execute a powerful influence on the quality perceptions of customers. No matter how affable, amicable and courteous a bank's personnel be to the customers, if the bank fails to offer a broad range of services or more features in every service it provides, the customer may not attach a very high value to the quality of service it offers.
Even if a doctor is on time and sympathetic and understanding to his patients, the patients may not perceive his service quality as high, if the doctor lacks competence in diagnosing the diseases or administering the drugs. Even though the passengers on an airplane are treated well by the air crew and the hostesses, people would feel hesitant and frightened to travel on a airline if they perceive that the flight provided by it is unsafe.

To put everything in a nutshell, the core service itself has discernible, tangible, and multidimensional quality features that could discriminate services, and could preponderate over other issues such as delivery and the like. The quality of this core service largely influences, and sometimes may be the ultimate determinant of the overall service quality from the viewpoint of the customers (Schneider and Bowen 1995).

2.5 SERVICE QUALITY MODELS

The various factors that influenced customer Loyalty, satisfaction and purchasing intents were studied by many authors (Crosby and Stephens 1987; Cronin and Taylor 1992; Rust and Zahorik 1993; Boulding 1993; Kelley 1993). Keaveny (1995), using a tool called the critical incident technique, identified more than 800 critical behaviours of service firms that caused customers to switch services. Drawing on basically conceptual research works, Bitner (1977) addressed the roles of customers in creating quality and productivity in service encounters and proposed two frameworks that analysed the different levels of customer participation that is required in a variety of service settings and focused on identifying three major roles played by customers in service delivery. Drawing on past research and theoretical tools, Roest and Pieters (1977) investigated the nomological net of perceived service quality across six dimensions namely, time, basis, object, content, context and aggregation and conceptually modeled the relationships between the constructs ‘perceived service quality’, ‘product value’, ‘customer satisfaction’ and ‘attitude’.
Boshoff (1977) proposed a model that 'product value', 'customer satisfaction' and concluded that longer the service recovery is delayed, the greater the level of preparation that will be required. Employees at the frontlines are in an optimal position to report on the degree to which strategic initiatives are being carried out.

Schneider, Ashworth, Higgs and Carr (1996) in an exploratory investigation found that employee attitude surveys could be used for diagnoses of the degree to which a neoteric strategy is being implemented and the level to which policies and practices are connected to the realisation of strategic goals like customer satisfaction and customer retention. Rosen and Suprenant (1988) strived to identify the critical indicators for the health of a service relationship. In their work the authors showed that process issues and value enhancing components, apart from satisfaction and quality, strongly determine the health of a service relationship.

The usefulness of information technology in improving service quality was shown by Berkley and Gupta (1994). A model was developed from case study data that mapped important service quality factors to the requisite information technologies. The authors concluded that the prototype would help the managers to ascertain the information technology most appropriate to improving service quality.

Rust R. T and Oliver R. L (1994, 1995) advocated a financial approach called "Return On Quality" (ROQ) approach which can be used by decision makers to determine where to spend on service quality, how much to spend, and the likely financial outcomes from service expenditures, in terms of revenues, profits, and return on investments in quality improvement. Results of some other research work also subscribed to these findings as they concluded that service quality and customer satisfaction have a considerable influence on financial outcomes.
In a recent work Rust (1999) applied the ROQ approach in a retail banking network and found that the ROQ model seemed to provide a basis for estimating the financial benefits of service quality efforts.

2.6 BEHAVIOUR MODEL

Due to the inseparability of consumption and production the consumer involvement level must be very high. This is because inherently, in a service, the consumer is also responsible for ensuring his own satisfaction. For example, he must tell the hairstylist how to do his hair, or he must tell the doctor what hurts. The high involvement is required in order to meet the individual’s needs. Services can be custom designed.

Therefore, personal relevance can be taken into account in order to ensure proper understanding of the consumer’s goals for using the service. This increases the service provider’s ability to secure control over customer satisfaction in a given situation.

Customer service is a priority for both suppliers of products and services. However, due to some of the properties of services, the consumer evaluation process differs from that of goods. Therefore quality service becomes paramount in order to leave positive cues with which customers can evaluate the service offered. Services are defined to be intangible, non-standardised, and inseparable. This causes them to be more complicated to rate than products. Zeithaml (1988) proposes a framework for isolating the differences in the consumer evaluation process between goods and services.
Zeithaml (1988) believes that a gap in the literature existed because services were becoming more and more important to our economic survival and yet no apparatus existed to aid service marketers in understanding their customers' evaluation process. Therefore, marketers were unable to respond adequately to their customer's needs. The first framework she submitted was based on the search vs. experience vs. credence properties. Search quality by definition can be determinate before purchase. Experience qualities can only be perceived during or after consumption. Credence properties may be impossible to measure even after purchase and consumption. The major proposition of this paper is that most goods have search and experience properties thus making them easy to evaluate.

On the other hand most services, due to their these differentiating characteristics, fall under experience or credence properties, thus making them very difficult for consumers to evaluate. Difficulty in evaluation obliges consumers to rely on clue for tangible substitutes when evaluating services.

Zeithaml (1988) hypotheses that consumers tend to be more brand loyal with services than with products. This is due to the fact that the switching costs of changing brands of services is higher than those of changing brands of products.

Upon examination of the general consumer behaviour model, the question becomes not where service marketing fits in, but where it does not fit in. Service marketers attempt to understand all the internal aspects of the model: information processing, involvement, coming perception and attitude. This is because of the difficulty for consumers to assess a service. It forces the consumer to rely on different cues during the evaluation process. It is only with these clues that the consumer can judge the quality of the service with which he is provided. It is because of the importance of these cues and clues that service marketers attempt to understand all the internal facts of the consumer behaviour model.
The internal processes consist of consumer information processing, consumer motivation, consumer involvement, consumer perception, consumer learning, and consumer attitudes. Marketers strive to manipulate these processes in order to achieve perceived consumer satisfaction, loyalty, and thus increased sales.

It is Ray's (1974) dissonance model that describes the circumstances that typically develop during service selection. After selecting among analogous alternatives the consumer acquires some experience with the service. The consumer will then develop an attitude. The consumer will learn more about the service in order to support his choice of service provider.

This shows us the importance of consumer attitude and consumer learning in services marketing. The cues that are provided can effect these developing attitudes, thereby affecting the learning process and vice versa. The cycle is constantly at work. Consumers will continuously absorb information about their chosen service. If the company consistently satisfies its clientele positive word of mouth will be engaged as a positive clue to its service. Obviously, a company cannot rely on this to enhance its image and brings the first time users. This is why public relations and other external communications are used to create a positive image about the company. These can be considered controllable cues. However, other communication materials, competitors' advertising, negative articles, dismantled customers' word of mouth exist as uncontrollable cues. The controllable indications must be so positive that they neutralise the effects of any negative publicity.

2.7 SERVICE ENCOUNTER

It is important to note that these encounters are viewed by the consumer as the service itself. Bitner (1990) addresses the matter of antecedents and consequences of customer satisfaction and dissatisfaction. How the services marketing mix can be utilised to influence positively customer satisfaction in service encounters is also discussed.
In order to explain the research done, certain conceptual definitions are clarified. Service encounter is defined by Shostak (1985) as a period of time during which a consumer directly interacts with a service. This includes all aspects of the service including tangibles. Kotler's (1980) 4P system for marketing of services is exposed as deficient because of the intangibility, non-standardisation and inseparability characteristics and three new P's are introduced. Because of the intangibility of the service, constantly search for clues in order to determine the firm's proficiency. Frequently the only ones are the firm's physical facilities and its personnel. Consequently, three new additional P's are:

- Physical Evidence: environment and tangible clues;
- Participants: all human actors, personnel's attitude;
- Process; policies, procedures, mechanisation, flow of activities.

2.8 EMPLOYEE CUSTOMER INTERACTIONS

In an empirical research Bitner (1992) explained how the "built environment" in service organisations (i.e., man-made physical surroundings) influenced both customers and employees. Many other researchers have also emphasised the influence of these “servicescapes” on customers (Kotler 1973; Shostack 1977; Booms and Bitner 1982; Rapoport 1982; Upah and Fulton 1985; Zeithaml, V A; Parasuraman A; and LL Berry 1985; Bitner 1986; Berry and Clark 1986; and Baker 1987) and employees (Becker 1981; Davis 1984; Steele 1986; Wineman 1986; Baker 1988; and Soundsstrom and Altman 1989) in physiological, psychological, emotional, sociological and cognitive ways. Bitner Mary Joe, Booms, Bernard H and Tetreault, Mary (1990) targeted particular service encounters/events instead of general factors, and identified the reasons of both satisfactory and unsatisfactory service encounters through a tool called "Critical Incident Technique (CIT)". The authors speculated that employee responses to customer needs and requests, service delivery system failures, time or money constraints, lack of alternatives, switching costs and habit might effect service loyalty.
Service quality and customer satisfaction has, of late, attracted more attention in both organisational behaviour and marketing theory. Shemwell (1988) developed and tested a causal model that portrayed exactly how service quality and satisfaction levels are related to the relationship-oriented outcomes such as the minimisation of complaints to others (complaint behaviour), emotional bonding (affective commitment), and an increased inclination to continue the customer-service provider relationship. Kellogg (1977) attempted to explore the understanding of the relationship between customer participation and satisfaction, and presented a typology of service customers' value perspective chain. In another interesting work Stauss and Neuhaus (1977), by taking into account the emotional, cognitive, and intentional dimensions of the satisfaction construct, proposed a qualitative satisfaction model and suggested a satisfaction/dissatisfaction typology and showed the loss potential of satisfied customers according to the satisfaction type to which they belong.

Service satisfaction is described as satisfaction from an individual's transaction experience whereas service quality is more akin to one's general attitude towards the firm. The consumer attribution theory is from Wiener's (1985) conclusion that people do image in 'spontaneous casual thinking' about the organisation's service quality based on their opinion of the service satisfaction. Therefore human resource processes and procedures established for customer-contact employees in service organisation have unintentional consequences because they cannot be hidden from the customer. This is because the delivery of a service has been likened to a 'performance or show' featuring the service provider and the customer (Bitner 1990; Bitner, Booms, and Tetreault 1990). However, this is live theater. Hence, the nature and quality of the 'product' sold is much more a function of employee–customer interactions by service firms than in goods firms (Parasuraman, 1986).
Schnaider and Bowen (1992) pointed out that managers in their pursuit of service quality need to create two related but different climates, one for service delivery and one for employee well being. However, as Hartline and Ferrel (1993) observed, few models exist to depend understand how organisational practices and employee behaviours contribute to high service quality and value from the customer’s perspective.

The focus on customer satisfaction applies to internal customers as much as it applies to external customers. Ross (1995) defines Internal Customers as “the people, the activities, and the functions within the company that are the customers of other people, activities or functions”. According to Dehlgaaard (1998), “before you can satisfy external customers, however, you must first eliminate some of the obstacles to the internal customers (i.e. the employees) and create the conditions necessary for them to produce and deliver quality”. What they are saying is that it will be difficult if not impossible to meet and exceed the expectations of the external customers if quality is not delivered to internal customers. Customer focus and satisfaction is related to management commitment. According to Unruh (1996), “Don’t start a customer focus initiative without top management commitment. Employees and customers won’t take the effort seriously. It will end before it’s had a chance to begin”.

2.9 MANAGEMENT COMMITMENT

Time and again it has been found that management’s commitment to quality service has reduced the service standards gap (Zeithaml, V A; Parasuraman A; Berry 1990). When managers are committed to group of common values, employees come to adopt that value system, thus uniting the organisation around one common purpose. The purpose will vary from one organisation to another but ‘service mindedness’, “customer consciousness”, and product/service quality are typical examples (Cespedes 1991).
As a result Hartime and Farrell (1992) tested for the conversion of this type of directive into enhanced service quality through its effect on employee behaviour and found that a positive correlation did exist. In fact they found that management’s commitment to quality is the most consistent predictor of employees’ quality service delivery.

Reynierse and Harker (1993) believed that “a service-competent force requires well-trained, knowledgeable, conscientious employees who enjoy their customer service responsibilities”. A corporate service culture that values the customer and focuses on providing effective service is essential. However, organisational management is far too removed from the service distribution facilities to control these factors. Thus, they must rely on their unit management to disseminate the company service vision, maintain its consistency at the service encounter level and even improve on it. The unit manager is responsible for ensuring that each of his customer contact employees understand that they represent the firm to every customer that they serve. It is imperative that these unit managers provide the leadership to focus their team around a customer service orientation. Only the branch management by their action can demonstrate that customer service really matters. If management is really committed to customer service and makes it a priority, consistently showing that customer service is important, then customer service will prevail and produce satisfaction. But to achieve this, management must exert their leadership and inspire their work force towards a customer service orientation.

2.10 CUSTOMER SATISFACTION AND CONTINUOUS IMPROVEMENT

There have been many studies that have linked the relationship between quality service and customer satisfaction. However, business can only earmark funds for improving customer satisfaction. The results are measurable by traditional accounting methods. In a meta-analysis, Capon, Farley, and Hoeing (1990) identified twenty studies that found a positive relationship between quality and economic returns.
In a study, Rust and Zahorik (1993) were able to empirically demonstrate the relationship that exists between customer satisfaction and profitability in the health care industry. In fact, in the last few years, research has begun to focus on the process by which the service is delivered and how that may affect customer satisfaction.

Anderson, Fornel, and Lehmann (1994) performed an in-depth analysis on the relationship between customer satisfaction and economic returns, treating customer satisfaction as a cumulative measure. Thus, their framework separates customer satisfaction and quality into two ideas. This is due to the fact that customers can not experience satisfaction unless they have experienced the service. Quality, on the other hand, can be observed by tangible and intangible cues. Customer satisfaction also deals with the concept of value (Howard and Sheth 1969) as the ratio between perceived quality relative to price (Dodds, Monroe, and Grewal 1991, Holbrook 1994, Zeithaml, 1988). Quality, however, is independent of price. As well, quality is perceived at a moment in time, whereas customer satisfaction is cumulative based on past experience as well as expected ones. Anderson and Sullivan (1993). Churchill and Supernant (1982), Cronin and Taylor (1992) Fornel (1992), and Oliver and DeSarbo (1988) provide much empirical data to show quality as an antecedent to a customer's satisfaction. Fornel (1992) explains several positive effects of high customer satisfaction for the firm. High satisfaction tends to lead to higher loyalty. This increases a customer's switching costs thus protecting the firm's customer base from competitors, lowers the cost of attracting new customers, and means that more customers are likely to repurchase. If a company has loyal customers, it should be seen in the company's economic returns as it guarantees a stable future cash flow (Rechheld and Szszer 1990).
Nothing is as practical as a good theory. It enables the marketer to predict points of leverage, points where the manipulation of the marketing mix can be effective. Quality customer service and customer satisfaction have been identified as leverage points. It is now up to organisations to recognise that fact and use it to their advantage. A proper delivery process can sway a customer to generate positive attributions during his satisfying service encounter thus becoming a loyal and profitable customer.

Customer satisfaction is the driving force that propels organisation existence. In considering the extent of customer satisfaction in Total Quality practice, the US Department of Commerce in a 1993 quality award criteria examined organisations relationships with customers, and knowledge of customer requirements and of the key quality factors that drive marketplace competition. They inferred that an understanding of customer requirements derives from thoroughness and objectivity of the organisation, customer types and product/service features. Other key excellence indicators for customer satisfaction, according to Ross (1995) are a resolution by management to empower front line staff, strategic infrastructure support for front line employees and attention to hiring, training, attitude, and morale for front line employees. Ross is of the view that these activities will help employees relate to customers in a highly professional manner and also provide services/products that will satisfy their requirements. While the researcher agrees to some extent with the propositions of Ross, front line empowerment and other issues raised are not in themselves sufficient conditions to providing focus and satisfaction to the customer. Proactive customer service systems, proactive management of relationships with customers, and the use of all listening posts—surveys, product/service follow-ups complaints, turnover of customers and employees, should also be adopted as key excellence indicators for customer satisfaction.
Since the quality of a product is not in itself but in what the customer says it is, customer focus and orientation according to Wilkinson (1988), provides a common goal for all organisational activities and members. It incorporates the quality of design and conformance to quality specification. According to Unruh (1996), “even if an organisation isn’t focused on its competitors”. He also believes that “customer focus is not a one-time-only program. It requires a permanent ongoing commitment of all organisational resources”. For an organisation to achieve success in any customer focus initiative, it is crucial that it has an understanding of customers. According to Unruh (1996) Customer needs and values should influence every aspect of the organisation: strategy, employee staffing and performance, product and service development, sales and marketing programs, operational procedures, and information and measurement systems. Customers focus and satisfaction not only enable organisations to know what customers think about them, their products, and their competitors, but also to know about the personal lives of their customers.

Global competition for increasingly demanding customers has necessitated changing acceptable standards. What appears to be best products/services today may be disregarded tomorrow. The drive towards total excellence has made a very clear direction, though no definite destination for organisation to attain and sustain business excellence through continuous improvement of products/services.

Customer expectations are increasing and changing with the dynamics of global environmental changes. Organisations are benchmarking one another so as to unravel the secrets behind their successes. According to Quirke (1995), the major challenge to organisations is how to acquire customers, retain them, build relationships with them and identify ways of being more valuable to them—before the competition does. No organisation can achieve this without continuously improving not only its products/services but also processes and people.
Continuous improvement, according to Stahl (1995), refers to "the constant refinement and improvement of products, services and organisational systems to yield improved value to customers". "One unique attribute of continuous improvement which has paid-off" for organisations that have focused on it, according to Stahl, is that "Looking for ways to continuously improve the quality of products/services in the absence of customer complaints and problems may preclude a future problem". In the words of Ho (1999), "TQM is a necessity. It is journey. It will never end". Wilkinson (1998) are of the view that continuous improvement involves both innovation and maintenance, and improvement through small steps, however often leading to radical breakthrough.

In the past, organisations maintained the traditional notion of "if it isn't broken, don't fix-it". But in today's changing business environment where competition has increased the awareness and demands of customers, continuous improvement requires something more than the traditional method of solving problems when they arose. Today, "the spirit of continuous improvement" in Total Quality Organisations, according to Stahl (1995), is "If it isn't perfect, make it better, and it strives for a continuous stream of base hits, rather than waiting for the home run".

This improvement theme requires several tools and different ideas, including understanding the kinds of variation in a process. It requires a proactive rather than a reactive mindset. The spirit of continuous improvement requires men and women who have the "can-do" attitude and desire for excellence. They must be committed to continually "improving a thousand things by one percent rather than one thing by a thousand percent". The most effective means of doing this is to use the people who do the job to identify and implement appropriate changes. This can only be achieved if employees are given adequate training and development. Though continuous improvement ought to be a management designed system, it is the business of everybody in the organisation.
The role of the work force according to Lillrank and Kano (Wilkinson Adrain, Redman, TQM Snape, Ed; and Marchington Mick 1998), is to assist in "weeding out the bugs from a product and process whilst giving workers an uplifting opportunity to use their brains and make a contribution to the improvement of their company".

In commenting on the effectiveness of continuous improvement in achieving organisational quality objectives, Stahl (1995) posits that training and development should not be seen as a one-time event but a lifelong process. Many organisations recognise today that due to the massive changes taking place in the business world, booster shots of training and development are needed throughout employees' careers. This will help them to acquire the necessary skills to initiate improvement strategies that would add value to customers. The views of the aforementioned management scholars are in line with what any aspiring quality organisations are expected to implement. It is to be noted that as a requirement, Total Quality Organisations should embark on benchmarking and self-assessment to drive continuous improvement in products/service and delivery process. It will also avoid the common trap of allowing conformance to become a goal in itself.

2.11 THE CRITICAL DIMENSIONS OF SERVICE QUALITY

The SERVQUAL instrument which was developed by Parasuraman A; Zeithaml, Valerie A; and Berry; Leonard L (1988) in fact generated bounteous interest in service quality measurement. Antithetically, critics of SERVQUAL have also disputed the logic and requirement behind the measurement of expectations (Cronin and Taylor 1992, 1994), the decipherment and operationalization of expectations (Teas 1993, 1994), the reliability and validity of SERVQUAL's difference-score formulation (Babakus and Boller (1992) and Brown 1993), and the SERVQUAL's dimensionality across various service scenes (Carman 1990 and Lamp 1991).
The point worth debating here is that the comprehensiveness of the 22 items scale proposed by Parasuraman A; Zeithaml, Valerie A; and Berry; Leonand L (1988) in addressing the critical dimensions of service quality is in question, for the simple reason that a careful examination of the scale items divulges that the items at large focus on the human aspects of service delivery and remaining on the tangibles of service (like the effect of atmospherics, design and decor elements, appearance of equipment, employee dress etc.).

The notability of the element of human interaction/intervention in the service delivery has been, without the least skepticism, acclaimed and reiterated by various other researchers as well (Mills and Morris 1986; Norman 1991; Harber 1993, Stebbing 1993; Schneider and Bowen, 1985, 1993, 1995; Schneider B; Gunnarson, S.K; and Nilesjolly K; 1994; Schneider: Brief and Guzzo 1996; and Schneider; Ashworth; Higgs and Carr; 1996). Of the five SERVQUAL's dimensions, four namely, Reliability, Responsiveness, Assurance and Empathy, relate to this aspect.

The fifth one, i.e. the Tangibles, pertains to the effect of physical facility equipment personnel and communication materials on customer. The effect of this atmospherics popularly known as "Servescapes" (Bitner 1992) does affect customers in various ways.

Bitner (1992) elucidated how these servescapes influenced both employees and customers in physiological, psychological, sociological, cognitive, and emotional ways. Various authors have also dealt in detail with the impact of these tangibles on the service perceptions by customers and their effect on employees (Zeithaml, V A; Parasuraman A and LL Berry 1985; Upah and Fulton 1985; Berry and Clark 1986; Baker 1988; Sundsstrom and Altman 1989).
But, while accentuating the significance and germaneness of these two momentous dimensions, one should also admit as apodictic that the highly subjective concept of service quality not only confines to the realms of these elements, but also encompasses other critical factors such as the following:-

i) The service product or the core service;

ii) Systematization/standardization of service delivery (the non-human element); and

iii) The social responsibility of the service organization.

2.12 MEASUREMENT OF SERVICE QUALITY

Valid and reliable measurement of service quality is vital to quality management. As an illustration, if employee training or a change in work procedures in order to enhance quality is undertaken, it would be important to measure customer perceptions of quality before and after the quality action was taken to see if the goal has been achieved. A reliable measure is one that is consistent, that is if quality does not change, the measure of quality will not change. A valid measure is a measure in which the score generated by the measurement process reflects the "true" value of the property that one is attempting to measure.

The credit for heralding the service quality research goes to Parasuraman A; Zeithaml, V A; and Berry; (Parasuraman A; Zeithaml, Valerie A; and Berry; Leonard L; 1985 and 1988); Zeithaml, V A; Parasuraman A; and L L Berry; 1985 and 1990). The authors based on qualitative research, formulated a measure of service quality derived from data on a number of services, instead of counting on earlier dimensions of goods quality in the manufacturing sector. The initial results based on some focus group findings yielded 10 dimensions of service quality that included Tangibles, Reliability, Responsiveness, Competence, Courtesy, Credibility, Security, Access, Communication and Understanding the Customer.
Further empirical scrutiny (Parasuraman A; Zeithaml, Valerie A; and Berry, Leonand L 1988) resulted in a 22-item scale, called "SERVQUAL", that measures service quality based on a 5 dimensions, viz., Tangibles, Reliability, Responsiveness, Assurance and Empathy.

The entire approach was formulated on the tenet that customers entertain expectations of performances on the service dimensions, observe performance, and later form performance perceptions. The authors defined service quality as the Degree of discrepancy between customers' normative expectations for the service and their perceptions of the service performance. Rust and Oliver (1994) noted that the SERVQUAL instrument captured the crux of what service quality might mean, i.e. comparison to excellence in service by the customer.

In their empirical work, Cronin and Taylor (1992) contravened the frame work Parasuraman A; Zeithaml, Valerie A; and Berry, Leonand L (1988) with respect to conceptualisation and measurement of service quality, and propounded a performance based measure of service quality called "SERVPERF" by illustrating that service quality is a form of consumer attitude. They argue that the performance-based measure was an enhanced means of measure the service quality construct. In another empirical work, Teas (1993) investigated conceptual and operational issues associated with "perceptions– minus-expectations (P-E)" service quality model. The author developed alternative models of perceived service quality based on evaluated performance (EP) and normated quality (NQ). It was concluded that the EP model could over–come some of the problems associated with the P-E gap conceptualization of service quality.

Parasuraman A; Zeithaml, Valerie A; and Berry; Leonand L (1994a) responded to the concerns of Cronin and Taylor (1992) and Teas (1993), by demonstrating that the validity and alleged severity of many of those consumers were questionable.
Parasuraman A; Zeithaml, Valerie A; and Berry, Leonand L (1994a) elaborated that though their approach for conceptualizing service quality could and should be revised, relinquishing altogether in preference of the alternate approaches proclaimed by Cronin and Taylor and Teas did not seem warranted. This triggered an interesting controversy in service quality research.

In another empirical work, Parasuraman A; Zeithaml, Valerie A and Berry, Leonand L (1994b) revamped SERVQUAL's structure to include not only the discordance between perceived service and desired service (labeled as measure of service superiority or MSS) but also the discrepancy between perceived service and adequate service (labeled as measure of service adequacy or MSA).

### 2.13 RESEARCH EVIDENCE IN BANKING SECTORS

In the foregoing literature review, a detailed discussion on the service sectors has been made citing various research findings. In this section, important research findings relevant to Banking/Finance Sectors are discussed.

In an empirical study conducted by Walter and Yen Ping Cheung (1999), in Australian Banking Industry, they have identified the strategies, service quality requirements and requirements to meet the customer expectations. Their study confirmed the Johnston's (1997) research findings that the factors required to ensure quality customer service include commitment, attractiveness or help courtesy, responsiveness, flexibility, competence, communication, availability, security reliability, functionality, and integrity. This study has also indicated that customer service quality can be supported by technology, or technology can be used to eliminate or severely reduce service quality.
Dr. Kamal Mallahi and Feyeza Eynboglu Turkey HTM provide evidence to support that Western management practices such as total quality management can be implemented successfully in developing countries despite high cultural and organisational barriers.

Drawing on six case studies, they had sought to examine the key factors that had to be considered for successful TQM implementation on the Turkish banking sector. The results of their study showed that successful TQM implementation requires management of unwavering commitment to TQM and enthusiasm, formal national bodies to introduce organisations to TQM and provide assistance during and after TQM implementation, and a highly educated and competent management team.

They have also indicated that training employees throughout the organisation in TQM is a must. This study has also proved that employees in Turkey banking sectors were not only comfortable but preferred the new management paradigm, contrary to what is widely reported in literature that in high power distance cultures, like developing countries, employees feel uncomfortable with banking decisions without managerial approach.

Robert Lee (1990), had identified characteristics of effective training programmers used to improve customer service by organisations in selected service industry groups in Washington. The findings of the study confirmed that human resource development play major role in designing and delivering customer service training programs. This study also confirmed that the customer complaints/customer complements, and customer satisfaction surveys were the most frequently cited measures of evaluation. In a study conducted in California by Elizabeth (1990) showed that customer service is affected by the trust level between employees, their manager and their customer in multicultural service oriented organisations. The respondents from ten banking sectors were extracted.
This revealed that personal attitude and interest to communicate with and understand different ethnic cultures, corporate values and ethnic group segregation, are important.

In a field investigation with a major retail bank conducted by Lance Allen (1998) have brought out the antecedents and consequences of customer-contact employees service-oriented citizenship performance. The results of the study showed that the role of job satisfaction in mediating the relationship between the farmers’ antecedents, participative leadership and centralisation and service-oriented citizenship performance. It is also predicted in the study that the service-oriented citizenship behaviours were significantly related to the measure of branch service quality but not to customer satisfaction. In a study, Bornnie (1996), examined a financial Institution and measured customer retention, loyalty, and market penetration. The study had proved that staff commitment to quality has a positive relationship with customer satisfaction and also showed that the staff commitment to quality has more of a positive relationship with customer satisfaction and also showed that the staff commitment to quality has more of a positive relationship with the success factors than do customer satisfaction measures. However this study was unable to confirm the findings of the previous studies, showing the managers do have an influence on their employees behaviours.

Karen (1987) had conducted study to explore the traditional structural organisation of banks and how a redefinition of that structure is essential in order for banks to respond profitably in a deregulated environment. The study provided a competition of current systems in organisation design in industry and banking, and examined the implications of various structural forms in a deregulated banking environment. The study also offered a comprehensive model as a guide for organisational restructuring and strategies for successful change.
In a study Zekynep Oya (1997) demonstrated that the capacity management in service delivery channels are highly susceptible to uncertainties in their operations. The study also focussed on capacity management in delivery channels. Collecting data from U.S. related banking industry, this study identified important issues surrounding the management of capacity in the call centres of these firms. This study had also shown that the retail banks in addition to its viable costs, like training and technology to support systems for sales activities cross selling well have less viable congestion related costs, experienced as deteriorating customer service. It was further more demonstrated that human resource practices were critical in determining the success of a sales program.

Sanjay (1995) identified important factors that determine the U.S. Banking activity of foreign banks. The size of the banking sector in the foreign country, the credit market conditions, the size of the foreign direct investment, the foreign exchange value of the U.S. Dollar and the relative size of the U.S. economy were those important factors. It has also shown that the size of the foreign countries banking sector was relevant as an influential factor only in the case of France and Japan. The results also indicated that a substantial increase in the degree of international co-movements in the prime and the CD rates for the post 1979 period. Empirical results indicated that the wealth gains generated by the target bank was greater when the acquiring bank was a foreign institution as opposed to another U.S. Bank. Further more, post acquisition, foreign acquired banks showed higher profitability and were seen to favour a loan portfolio mix that was more heavily weighted towards non-consumer loans than domestically acquired institutions.
Perceived use of thinking skills in customer service aspects of banking was examined by Robert Coloman (1993). In a study conducted at Virginia, it was identified instances when workers in a business environment used thinking skills, including creative thinking, decision making and problem solving in a manner that was beneficial. Twenty-seven banking employees from nine branches were interviewed using the behavioural event interview method. The results of the study revealed that the interviewers did not receive formal thinking skill preparation from education or work training programs. They attributed most of their thinking skill development to experience. Outcomes of this study can be used to teach thinking skills by the infusion approach, the most commonly used methods for teaching these skills. The study also identified sixty-two instances of thinking skill within the events.

Mark Henry (1993) had identified retail banking strategy for Western Bank and insurance. The results of the study revealed that resources should be allocated to service quality improvements. A stronger sale focus, targeted marketing program, a streamlined management structure, and predict enhancements are the other strategies identified in the study.

Madhukar G. Angur, Rajan Nataraajan and John S. Jahera Jr. (1999) in their research on Service quality in the banking industry, an assessment in a developing economy which examines the applicability of alternative measure of service quality proposed by Cronin and Taylor (1992). Perceived quality of service tends to play an important role in high involvement industries like banking services. Banks have traditionally placed a high value on customer relationships with both commercial and retail consumers. The nature of the customer relationship is changing, particularly on the retail side of banking. As electronic banking becomes more prevalent, a bank's service quality may well be measured in terms of personal support rather than technical support.
The study concluded the five factor conceptualisation of "SERVQUAL" does not seem to be totally applicable, and no significant difference was found in the predictive ability of the two measures i.e. SERVQUAL and SERVPERF. Further, although SERVQUAL and SERVPERF have identical convergent validity, SERVPERF appears to have higher discriminant validity than SERVQUAL.

**Empirical evidence in Indian Service Sector**

In a study, Steward Doss (1999), assessed the Service Quality in Life Insurance Corporation of India. The study attempted to measure the service quality in totality, a linear weighted service quality Index was created. The index indicated a moderate service quality for LIC. The findings reveal that customers' satisfactions of the Insurance Policies and office services are just 'moderate' while the agents' services are perceived as below satisfactory. The study also identified the latest factors determining the satisfaction of the quality parameters that would help in improving the services. The study finds that service quality has a greater impact on customer's behavioural responses that emphasise the significance of delivering quality service in Insurance.

Yogeswari Pathak and Naseem Abidi (1999) made an attempt to study, the gap between a client's satisfaction and perception of the quality of services. The study is based on primary data collected with the help of questionnaire in addition to secondary data. Both private and nationalised banks are included in this study. The study is an attempt to analyse the shortfalls in delivering quality services by banks and possible ways to improve service quality. The study has highlighted the areas in which public sector banks need to improve to survive the competition posed by the new entrants in the banking sector. The shift of emphasis from social banking to profitable banking has been slow to come. The existing organisational structure and policies of public sector banks are ill equipped to meet the new challenges. Hence, the study recommends the public sector banks to equip themselves with a commitment to quality services to face the new challenges in Indian Banking Sector.
Delivering quality service at two commercial co-operative banks in Gujarat was studied by SEVLANI. D (1990). In his study, five important economic dimensions were identified which emerged from the delivery of quality service. The study also identified the six reasons responsible for the growth of the service sector, along with the challenges posed by the high-tech multinationals. In the study, the Charotan Nagrik co-operative bank, Anand and the Valabh Vidyanagar Commercial Co-operative Bank; Vidyanagar were studied. The result of the study revealed that the quality of service rendered to the customers, shareholders, employees and the community at large was the source of satisfaction to all concerned. It was also noticed that there was considerable progress in terms of deposits, advances/loans and profits. The study also brought to light that all people connected preferred these banks due to their prompt, cheap, comfortable and personalised service and seem to be quite happy with the functioning of the bank.

Goyal S. K. and Arun Gupta (1990) have assessed the performance of mutual funds in the context of contribution of market timings ability of fund managers. By studying the performance of selected Indian Mutual Fund Schemes and after examining whether the Investment/Fund managers are using their professional skills, they found that there was no statistical evidence that the fund managers of any of the 25 open-ended Indian Mutual Fund Schemes could successfully out guess the market.

Sugantha (1999) attempted in a study to assess the quality of information in the capital market, namely. the Madras Stock Exchange, during 1980-1988, the pre-return period. Box-lying test was performed on total share prices, prices were decomposed into risk less return, risk premium for the general market factors and risk-premium for the firm-specific factors and the same test was applied to the firm-specific factors.
The results indicated that there was no auto correlation for share prices and there was a significant first-order auto correlation for firm-specific factors. The study inferred that there was lack of transparency of firm-specific information.

In a study Gil, Riportella, Couste and Saenz (1999), made an attempt to explore the internationalisation of financial service companies in Spain, and in particular, of banks and Insurance companies. The result of the study indicates that in only one of them, internationalisation has been dominated by customer-following considerations. The other financial institutions do not seem to have followed a clear pattern of internationalisation.

2.14 CONCLUSION

This chapter reviews the literature relevant to the service quality. The earlier research work carried out on service quality at national and international levels is discussed in detail. Service quality on servicing sectors with a special reference to Indian banking sector has been discussed. The variables used in service quality models on service quality are also described.