CHAPTER II
REVIEW OF LITERATURE

There has been an increasing research in the area of services marketing in view of the fact that the services sector is rapidly growing and contributing to the gross domestic product of the nation. The area of service quality is slowly gaining popularity, and has attracted research all over the world. Most of the studies have revolved around the use of instruments like SERVQUAL and SERVPERF. This chapter highlights the telecom services scenario as well as research undertaken in the area of service quality and its measurement.

II.1 TELECOMMUNICATION SERVICES

Organizations work very hard for the long term success. The organizations success is determined by numerous factors. Those organizations which earn lot of profit are not thought to be a powerful organization, because the profit generation, is one task of the organization. So, not just the organizations now have to focus the shareholders but also the customers because now the customers are the king. In the existing world maintaining the old ones and drawing the attention of the new customers is considered to be a victory (Ahmed, Nawaz, Usman, Shaukat, Ahmad, & Iqbal, 2010). Now the telecommunication sector is growing to be the vital sector of the world. Voice communication, graphics, data and delivering of video at a very high speed is provided by the telecommunication sector. A world economy is being influenced by the telecommunication sector. Competition is going to be more intense. For the purpose of achieving the maintained competitive edge, the telecommunication industries are compelled to carve innovation and to execute the best thing for the satisfaction of their customer’s. So the marketing relationship
performs the vital part in the industry of telecommunication (Grönroos, 2004).

One important utility in an economy is telecommunication. The telecommunication industry’s role in an economy cannot be over-emphasised. This is because it is the means through which all daily transactions and activities are undertaken. It aids decision making, organizing, influencing, activating, instructing, providing feedback, promoting interpersonal and business relationships as well as exchange of information. All social, economic, political, cultural, trade and commercial activities are undertaken using telecommunication. The nature of a country’s telecommunication industry affects its pace of commercial and domestic activities. Due to the poor performance of many of these telecommunication firms, particularly in the developing countries, governments have had to intervene through divestiture and privatisation programmes (Frempong and Henten, 2004).

It is perceived that the incoming of those firms has been made possible due to the reforms and adjustment programmes instituted in the country in the 1980s and 1990s. Nevertheless, the presence of these firms has introduced competition, efficiency and effectiveness in the telecom market in the country. Unlike the previous monopolistic, highly regulated telecom market, the presence of the new firms introduced service quality, appropriate and reasonable pricing and social responsibility. In effect, the deregulation policy of the telecom industry has aided in the current level of satisfaction enjoyed by its customers today (Frempong, 2002).

The deregulation, competition and advancement in information communications technology seems to be exerting pressure on managers in this industry to demonstrate customer-focused and continuous service improvement than before, as a way to ensure customer satisfaction and brand supremacy.
The India telecom industry will grow at a compound annual growth rate (CAGR) of 15.8 per cent between 2010 and 2014 and will touch revenues of Rs.3,77,683 Crore according to a research (techcircle.vccircle.com). The India telecom services and mobile handsets market is expected to grow at 16.7 per cent in 2012 and is expected to touch revenues of Rs.2,88,832 Crore out of which, the telecom services, which includes mobile and fixed line services will contribute Rs.2,05,454 Crore and the India mobile handsets market which includes feature phones and smart phones will contribute Rs.83,377 Crore. The latter is expected to grow at over 30 per cent during 2012. The telecoms growth story will be a function of the enhanced demand for high speed broadband and data services from both enterprises and consumers, as 3G and BWA/WiMax services are rolled out by various operators to cover an increasing number of cities and towns.

The key factors behind the growth in the telecom services segments would be the launch and roll-out of 3G and BWA / WiMax / LTE services and the resulting growth in usage of high speed broadband, VAS and data services, although the broadband content will still be in the early stages of development in 2011. Other high growth telecom services areas will include IP-TV, IP-VPN, VoIP and Mobile VAS. Additionally the India telecom products (mobile handsets) segment will witness a high growth rate of 26.2 per cent CAGR over the period 2010-2014 and will touch Rs 1,28,729 Crore in 2014.

The India domestic mobile handsets market will see an increase of more than 150 per cent in terms of the value of feature. The smart phones market in India is expected grow to over 10 million units in 2011 from 6 million units in 2010, a 66.7 per cent increase. The Android operating system will be the most popular mobile OS and 12 per cent of all smart phones shipped
in India are expected to be based on the Android platform. Additionally Due to the increase in popularity of WiMax / LTE services, content creation and mobile application development see a rapid increase in phones and smart phones shipped. It will increase from Rs.50,714 Crore in 2010 to Rs.1,28,729 Crore in 2014.

**Growth Prospect:** India has become an advanced nation in the mobile market of the world with lakhs of consumers getting associated to the service every month. This will of course lead to the growth of the other sectors too and will make its strong place in telecommunication sector in the future time. The Indian mobile industry has stimulated for its hyper growth mode, it is said that the industry continues to grow at double-digit rates for the coming years as the operators are focusing on the rural parts of the country. Mobile market penetration is anticipated to increase from 38.7 percent in 2009 to 63.5 percent in 2013. The global slowdown may have affected India as well, with news of significant job cuts across various sectors. but one sector continues to boom i.e. telecom sector.

**II.2 SERVICE QUALITY**

**II.2.1 Brief History of Service Quality Evolution**

Service quality is the customer’s perception of the level of success or failure in meeting expectations (Zeithaml, et. al., 1990). According to the expectation-disconfirmation paradigm (Oliver, 1980), customers compare their satisfaction with a product or service with their expectations of performance. If perceived performance is greater than what was expected, positive disconfirmation results and customer satisfaction is expected to increase. Conversely, if
the product or service performance is less than what was expected, negative disconfirmation occurs, with a corresponding decrease in customer satisfaction (Yi, 1990). Empirical studies confirm that disconfirmation and expectations are significant predictors of customer satisfaction.

In contrast, some scholars consider service quality to be a state of outcome of the service encounter and customer satisfaction to be a response to service quality. These researchers typically measure service quality using customer evaluations of tangibles, reliability, empathy, assurance, and responsiveness (Zeithaml, et. al., 1990). This is the basis of the service delivery gap model, whereby customer expectations and perceptions of service quality are gathered before and after a service experience. Consistent with the disconfirmation model, perceptions greater than expectations signal satisfactory service quality, and perceptions less than expectations indicate unsatisfactory service quality (Parasuraman, Berry & Zeithaml, 1985, 1988; Zeithaml et. al., 1993).

Many organizations view the delivery of service quality as a strategic intervention for increasing organizational effectiveness and gaining competitive advantage in today’s competitive environment (Parasuraman, Zeithaml, & Berry, 1985; Reichheld & Sasser, 1990). Research has traditionally focused on the probable outcomes of service quality, including increased profitability and market share, strength of preference for a service provider, and customer satisfaction. Initially, service quality practitioners, both business and academic, focused on defining what service quality was from the vantage point of their customers, and then developing strategies to meet their customers’ needs (Parasuraman, Zeithaml, & Berry, 1985).

The link between service quality and profitability is often difficult to quantify. Along with service quality, profitability is impacted by a number of variables including advertising, pricing,
image, and efficiency (Parasuraman, Zeithaml, & Berry, 1985). Investing human and capital resources into service quality improvement efforts does not necessarily assure profitability, as those efforts can be directly influenced by the organization’s strategy and execution as well (Parasuraman, Zeithaml, & Berry, 1985).

In an effort to gauge the effectiveness of an organization’s service quality initiatives, customers’ perceptions are gathered and measured. This measurement provides the information necessary for effective decision making, monitoring performance, and effectively allocating resources to enhance profitability.


II.2.2 Service Quality Measurement - SERVQUAL

Delivering quality service is considered an essential strategy for success and survival in today’s competitive environment (Zeithaml, Parasuraman, & Berry, 1990). In their groundbreaking research on service quality, Parasuraman, Zeithmal, and Berry (1985) employed “gap analysis” to the provisioning of services. They offered a framework for measuring service quality whereby
it is defined as the gap between customer expectations versus their perceptions of how the service is performed. The goal of any service organization is to close, or narrow, the gap. The criteria initially fell into ten key dimensions and through the use of extensive factor analysis, the ten dimensions were later consolidated into five dimensions (Parasuraman et al., 1985, 1988, 1991a):

i. Tangibles: the appearance of physical facilities, equipment, personnel, and communication materials.

ii. Reliability: the ability to perform the services accurately and dependably.

iii. Responsiveness: the willingness to help customers and ability to provide prompt service.

iv. Assurance: the knowledge and courtesy of employees and their ability to convey trust and confidence.

v. Empathy: the caring, individualized attention provided to the customer.

This early exploratory research formed the foundation for the SERVQUAL instrument (Parasuraman, Zeithaml, & Berry, 1988). The SERVQUAL is a conceptual model that defines service quality from the customer’s vantage point, and consists of 22 similarly worded questions measuring customer expectations compared to customer perceptions of service quality (Parasuraman, Zeithaml, & Berry, 1985, 1988).

II.2.3 Service Quality Measurement - SERVPERF

Most research studies do not support the five-factor structure of SERVQUAL posited by Parasuraman et al. (1988), and administering expectation items is also considered unnecessary (Carman, 1990; Parasuraman et al., 1991a, b; Babakus and Boller, 1992). Cronin and Taylor
were particularly vociferous in their critiques, thus developing their own performance-based measure, dubbed SERVPERF. In fact, the SERVPERF scale is the unweighted perceptions components of SERVQUAL, which consists of 22 perception items thus excluding any consideration of expectations. In their empirical work in four industries, Cronin and Taylor (1992) found that unweighted SERVPERF measure (performance-only) performs better that any other measure of service quality, and that it has greater predictive power (ability to provide an accurate service quality score) than SERVQUAL. They argue that current performance best reflects a customer’s perception of service quality, and that expectations are not part of this concept.

Likewise, Boulding et al. (1993) reject the value of an expectations-based SERVQUAL, and concur that service quality is only influenced by perceptions. Quester et al. (1995) performed similar analysis to Cronin and Taylor in the Australian advertising industry, and their empirical tests show that SERVPERF performs best, while SERVQUAL performs worst, although the differences are small. Teas (1993a) discusses the conceptual and operational difficulties of using the “expectations minus performance” approach, with a particular emphasis on expectations.

Recently, Llusar and Zornoza (2000) concur that SERVPERF results in more reliable estimations, greater convergent and discriminant validity, greater explained variance, and consequently less bias than the EP scale. Marketing literature appears to offer considerable support for the superiority of simple performance-based measures of service quality (Mazis et al., 1975; Churchill and Surprenant, 1982; Carman, 1990; Bolton and Drew, 1991a, b; Boulding et al., 1993; Teas, 1993a; Quester et al., 1995).
II.3 SERVICE QUALITY IN TELECOMMUNICATION

The Indian Telecom sector is passing through a dynamic transitional phase, as it is clearly undergoing the operation of market forces of demand and supply. The sovereignty of consumers is quite evident through their revealed preference in favour of economically rational decisions. Therefore, the task facing the managers in telecom sector is to focus on those activities that result in meeting or exceeding customer expectations. Moreover, the forces of liberalization and globalization of telecommunication market have pressurized the companies to maintain their market share by focusing on retaining their current customer. They are being increasingly confronted with the challenges to attract their subscribers by providing high quality of services. With the increase in the cost of acquisition of new customers, cellular mobile companies continually seek new ways to acquire, retain and increase their subscriber base. Thus the ability to retain existing customer is increasingly crucial in this industry. This is possible only by providing quality of services to the customers.

According to Aydin and Özer (2005) high service quality is considered to be the mean to compete in the service markets. When the customers get good quality service from the service provider, than the trust of the customers also take place and he assume that more useful result will be provided by the service firm. To evaluate the performance of the service provider the quality service is a vital determinant in the mobile telecommunication sector which is a service industry. To, provide customer satisfaction, build trust worthy relationship with the customer for a longer period of time and in return getting the competitive edge all this is possible by providing high quality service.
Sachdev and Verma (2004), in their assessment of the relative importance of quality dimensions in selective service industries, identified two perspectives of quality measurement: internal and external. While internal perspective is defined as zero defect or conformance to requirements, the external perspective understands service quality measurement in terms of customer perception, satisfaction, attitude, and delighting the customer.

According to Ndubisi et al. (2009) the high level of utilization and the aim of purchasing again in future is found in the customers’ of telecom industry which are found to be satisfied. The customer’s satisfaction and trust are influenced by the perceived quality service. The high quality service will have a positive impact on the customer satisfaction. When the customers will not get the quality of service which they were expecting before the purchase their trust will shake which in turn makes the customer dissatisfied and this ends up in customer switch to other service provider. Attention to service quality can make an organisation different from other organisations and gain a lasting competitive advantage (Boshoff and Gray, 2004). In particular, consumers prefer service quality when the price and other cost elements are held constant (Turban, 2002).

Pampallis and associates (2002) measured service quality at cellular retail outlets in South Africa. The research was conducted via a structured questionnaire based on SERVQUAL model. The findings indicated that two dimensions, namely, tangibles and reliability loaded into separate factors while the remaining three dimensions, namely, responsiveness, assurance and empathy all loaded into one factor, indicating that there is no real differentiation amongst the three dimensions in the customer’s mind.

There was also research that explored the service quality associated with various m-
service applications (Rao and Minakakis 2003, Yun et al. 2005). When investigating m-service information quality, Chae et al. (2002) extended a prior framework of information quality (Dey 2001, Wang 1998) and incorporated the characteristics of m-commerce such as mobile devices and the context. Their measure of m-commerce information quality has four dimensions including connection quality which is influenced by stability and responsiveness, content quality which is affected by objectivity, believability, and amount, and interaction quality and contextual quality which are determined by structure, navigation, presentation, timeliness and promptness.

Another study considered the unstable environment in which m-services were provided and adapted the quality dimensions of e-services based on the SERVQUAL to fit characteristics of m-services. The five dimensions they identified include reliability, responsiveness, user interface, trust, and customization.

In another study on the perception of m-service quality Yun et al. (2005), examined eight mobile data services including short message service, melody ring, ring back tone, background image service, gaming, multimedia message services, context-based services (LBS) and video on demand, and identified key quality attributes including sound quality, play time, and image quality.

Another stream of research aimed to develop service quality conceptualization and measurement models by targeting specifically the mobile telephony sector (Aydin and Ozer, 2005; Gerpott et al., 2001; Kim et al., 2004; Lee et al., 2001; Lim et al., 2006). The models developed suggest several dimensions, whose definitions and meaning overlap to a great extend.

In the study of Choi et al. (2007) the mobile telephony quality measurement dimensions
identified in this stream of work are categorized into network coverage, mobile device, value-added services, billing system, convenience and price structure.

Select work in Service Quality Measurement in Telecommunication include work done by Leisen and Vance on Fixed line telephone services (2001); by Johnson and Sirikit, on both fixed line and cellular mobile services (2002); by Van der Wal, Pampallis and Bond, on cellular mobile services (2002); by Wang and Lo on cellular mobile services (2002); by Ranaweera and Neely on fixed line telephone services (2003); and by Kim, Park and Jeong on cellular mobile services (2004).

The critical dimensions for measuring Service Quality in Telecom comprise: Reliability (Ability to perform the service accurately and dependably, as promised); Responsiveness (Willingness of the firm’s staff to help customers and provide prompt services); Assurance (Knowledge and courtesy of employees and their abilities to inspire trust and confidence); Empathy (Ability of the service provider to provide a caring and personalized attention to each customer), and Tangibles (Appearance of physical facilities, equipment, personnel and communication materials).

In the growing global communications industry, service quality has become increasingly important, as telecommunication firms strive to protect their subscriber bases. (Loo, 2004). Although the mobile communications industry (Wang et al., 2004) is one of the most important service markets in China, it has been neglected by most prior studies. To enhance their competitive position, mobile communication companies in China may choose to improve service quality to differentiate their services from those of their competitors. However, these companies are not very familiar with concepts and tools for service quality improvement and have not had much experience with making systematic improvement in service quality. Therefore, efforts are
needed to better equip these companies to make effective service quality improvements.

In a study of China’s mobile communication market, Wang et al. (2004) applied SERVQUAL to examine the relationships between service quality and customer value, satisfaction, and behavioral intention, using survey data from customers of both China Mobile and China Unicom, the duopolistic companies in China’s mobile communications market. The researchers measured customer perceptions of service quality using the SERVQUAL instrument, but did not use gap scores or employee opinions. Further, the study did not assess the service quality concept or the SERVQUAL instrument for China’s mobile communications industry in terms of construct reliability and validity.

In recent years, the interest in conceptualizing and measuring service quality in the mobile telephony sector increased due to the steep increase of penetration rates in most countries around the world and rapid technological advances. Van der Wal et al. (2002) used SERVQUAL to investigate service quality in a mobile telecommunications company in South Africa. Their results confirmed that the instrument could be used to evaluate service quality in that industry. SERVQUAL was also employed by Johnson and Sirikit (2002) to investigate service quality perceptions in the Thai telecommunications industry. The results showed that the instrument is recommended for process-driven service firms such as telecommunications, banking, retailing, health care.

A study in Ghana (Frempong, 2004) adapted the SERVQUAL model as the main framework for analyzing service quality. Multiple regression analysis was used to examine the relationships between service quality variables and customer satisfaction. The results showed that all the service quality items were good predictors of customer satisfaction. For managers,
this finding has important implications with regard to brand building strategies. Indications of a successful brand building strategy are found when companies provide quality services relative to other companies within the same industry. It is imperative for Vodafone (Ghana) and other telecom firms, therefore, to improve customer services by giving customers what they want and at the right time. Thus, identifying and satisfying customers’ needs could improve network services because what is offered can be used to separate the company’s services from competitors’.