CHAPTER II

AN INSIGHT INTO GAP ANALYSIS

2.1 INTRODUCTION

In the previous chapter, growth and development of Indian Petroleum Industry and petroleum products, policy aspects, future of petroleum industry in India and so on have been discussed. In this chapter, a detailed theoretical description on Gap analysis, its various concepts, importance, implementation of Gap analysis, service quality gap model, Strategies and prescriptions for closing quality gaps and the application of Gap analysis in Retail Petroleum outlets are presented.

2.2 CONCEPT OF GAP ANALYSIS

Gap analysis provides a foundation for measuring investment of time, money and human resources required to achieve a particular outcome. Gap analysis involves analyzing current market offering to assess the extent to which they meet customer demands. Demand side gaps involve a market situation where consumers are not satisfied buying what is available, usually either because the level of service provided is not adequate or because the offering is too expensive. Supply side gaps, in contrast, involve firms that provide services that are needed and also the ones that can be met elsewhere at lower prices.

Gap Analysis is defined as “An evaluation of differences between the organization’s current position, and its desired future”. It enables a
company to compare its actual performance against its potential performance, and then determine the areas in which it must improve”.

2.3 IMPORTANCE OF GAP ANALYSIS

Studying gap analysis is very important for any organization to determine the customers’ expectations and their perceptions. This process will help out the organization to identify the service gap and also level of satisfaction or dissatisfaction among the customers with their service quality. Good organization always tries to identify the customer expectations and finally to enhance the customer satisfactions. Customer satisfaction creates repeat purchases which in turn lead to loyal customers, increased brand equity and more profits to the organization. Therefore gap analysis is very much used to identify and close the service gap which will definitely increase the customer satisfaction.

2.4 PROCESS OF IDENTIFYING THE GAP

The gap analysis process involves determining, documenting and approving the variance between business requirements and current capabilities. Gap analysis naturally flows from benchmarking and other assessments. Once the general expectation of performance in the industry is understood, it is possible to compare that expectation with the company’s current level of performance. This comparison becomes the gap analysis. Such analysis can be performed at the strategic or operational level of an organization.
2.5 MARKET GAP ANALYSIS

Market Gap Analysis focuses on using a systematic research approach to discover and uncover sales opportunities where market demand is more than supply. Used extensively in the business to consumer market space, it can help firm to identify, quantify and select business market segments that are currently under-serviced.

Through the deployment of Market Gap Analysis, a firm can make logical strategic and tactical decisions based on market facts, not subjective opinion. Market Gap Analysis is a proactive approach to meet identified market demand.

2.6 DEMAND SIDE GAPS

Customer satisfaction abounds, and many consumers would like to replace their current suppliers. This can happen either generally—there is a widespread dissatisfaction with banks among consumers, and many would switch if they found one that they thought would provide better service or the gap can be with one segment that is not being well served. Note that although a gap may exist in the sense that existing firms are not offering what consumers may ideally want, there is a limit to what buyers would be willing to pay for.

2.7 SUPPLY SIDE GAPS.

Supply side gaps come about when a business finds that the services that it has traditionally offered to customers in the past are now too expensive to justify the value they provide.
2.8 IMPLEMENTATION OF GAP ANALYSIS

Identification of customer expectations, customer experiences, management perceptions and evaluation of service standards and customer communications are some of the steps involved in the implementation process of gap analysis.

2.9 APPLICATION OF GAP ANALYSIS

Gap analysis is applicable to any type of industry. Keeping this in mind, the researcher has applied the process of gap analysis in the selected Retail Petroleum outlets situated in and around Chennai and finally brought out with the relevant and required strategies to eliminate/atleast to reduce the gap that exists in the petroleum retail outlets.

2.10 SERVICE QUALITY GAP MODEL

This model can help a firm desirous of improving service quality to focus better on its strategies and service processes. This model can not only be used to find and identify areas in service delivery and designs (which might lack quality), but also measure and monitor quality in service.

Quality in service is as perceived by the customers. There is no other way to either comprehend or administer. As service is intangible; the only way to measure quality in service is to measure the expectation of the customer before the receipt of service and measure his perception after the experience, that is, the service encounter. The gap between the
two is a measure of the service quality. The larger the gap, the worse is the service quality; the narrower the gap, better the service quality of the firm; the firm is successful in meeting the customer’s expectation. The gap model professes two types of gaps namely customer gap and provider gap.

**The Customer Gap:** The gap between expectations and customer perceptions. This, in other words, is the service quality shortfall as seen by the customers. Customers develop expectations from receipt of external stimuli from many sources – ranging from those that are company-controlled so to social influences. These form the bases of his reference-to-come for the service experience. The customer’s perceptions indicate the service as actually received, for all practical purposes, since what we perceive is what is real to us. Perceptions are everything.

Company-controlled external stimuli are service product/offer, price, advertising, promotions, displays, outlets, etc. Social influences as external stimuli are word of mouth communications and reference groups. Other influencers of expectations are personal needs and past experience of the customer.

The customer gap indicates the difference between actual performance and the customer’s perception of the service. There are a lot of subjective judgments made by customers. Last experience may prejudice them and change their estimation of quality. Service quality is all about the responsiveness of an organization to meet the customer’s
expectations. The service performance is measure by the perceived service quality.

Any service organization would be desirous of closing the gap between what is expected and what the customer has received. To them, this would be absolutely necessary to build a long-term, relationship with the customer, to retain him. But in order to close the customer gap, another type of gap has to be closed: the Provider Gap.

**The Provider Gap/Company Gap:** There are four provider gaps and these in sum total are the cause of the customer gap. They are the shortfalls within the service firm. To close the customer gap, the provider gap has to be bridged. The four provider gaps are Customer expectation – management perception gap, Management perception – service quality expectation gap, Service quality specifications – service delivery gap and Service delivery – external communication to customer.

After examining ways and means of measuring service quality, what is more important is to establish any relationship between service quality and marketing. This would go a long way to underscore the importance and relevance of measuring quality for services.

**The gap model** (also known as the "5 gaps model") of service quality is an important customer-satisfaction framework. In “A conceptual model of service quality and its implications for future research” (*The Journal of Marketing*, 1985), A. Parasuraman, VA Zeithaml
and LL Berry identify five major gaps that face organizations seeking to meet customer’s expectations of the customer experience.

- **Gap 1** is the distance between what customers expect and what managers think they expect - Clearly survey research is a key way to narrow this gap.

- **Gap 2** is between management perception and the actual specification of the customer experience - Managers need to make sure the organization is defining the level of service they believe is needed.

- **Gap 3** is from the experience specification to the delivery of the experience - Managers need to audit the customer experience that their organization currently delivers in order to make sure it lives up to the spec.

- **Gap 4** is the gap between the delivery of the customer experience and what is communicated to customers - All too often organizations exaggerate what will be provided to customers, or discuss the best case rather than the likely case, raising customer expectations and harming customer perceptions.
Finally, Gap 5 is the gap between a customer’s perception of the experience and the customer’s expectation of the service. Customers’ expectations have been shaped by word of mouth, their personal needs and their own past experiences. Routine transactional surveys after delivering the customer experience are important for an organization to measure customer perceptions of service.

The five gaps that organizations should measure, manage and minimize. Each gap in the customer experience can be closed through diligent attention from management.
2.11 STRATEGIES TO FILL SERVICE QUALITY GAPS

The following are the various strategies to be exercised by the companies who want to win the competition.

- Focus on customers
- Developing a shared service vision
- Locating service point near the customer
- Making delivery point user friendly
- Reducing the time gap between services sought and delivered
- Unconditional guarantee to the customers
- Role clarity and empowering service people
- Performance measurement, reward systems and recognition of employees
- Conduct market research to understand changing customer expectation and perception.
- Internal performance analysis
- Bench marking
- Objective measurement and management
- Customer satisfaction analysis
- Training of Service people in delivering quality service
- Teamwork and management support
- Quality efforts should continuously improve
- Management commitment for continuous improvement
- Total Quality Management (TQM)
2.12 PRESCRIPTIONS FOR CLOSING QUALITY GAPS

There are prescriptions (ways) for closing quality gaps to ensure a better quality service to customers.

- Learn what customers expect – for gap 1
- Establish the right service quality standards – for gap 2
- Ensure that service performance meets standards - for gap 3
- Ensure that communication promises are realistic - for gap 4
- Putting it all together - for gap 5.

The prescription of all four gaps from 1 to 4 would result in reduction/closing of quality gap 5.

2.13 MEASURING AND IMPROVING SERVICE QUALITY

Service quality has become a main area of interest to many organizations worldwide due to its significant effect on customer satisfaction, cost reduction and profitability increase. The role of service quality in the success of any businesses cannot be denied. It is vital for the management to have a good understanding on what exactly the customers want. Identifying the specific expectations of customers, the dimensions of the service quality and their relative importance for customers for each specific segment of the industry would definitely help management in the challenge of improving the service quality.

After examining ways and means of measuring service quality, what is more important is to establish any relationships, linear or otherwise, between service quality and marketing. This would go a long
way to underscore the importance and relevance of measuring quality for services. If the hypothesis is established that there are evidences of any linear relationships between the following variables, then customer service should become one of the most important tools for service marketing.

- Customer retention and reduced costs
- Customer satisfaction and customer loyalty
- Customer loyalty and profitability
- Customer retention and customer net present value
- Service quality and profits
- Service quality and service marketing
- Service quality and customer service

2.14 SERVICE QUALITY FUNCTION DEVELOPMENT (SQFD)

The first Quality Function Development (QFD) application in services was in 1981. It is a customer-oriented structural product development approach in manufacturing; services are more customer-involved, employing personalized marketing means. However, the contemporary service industry indicates a strong trend towards mass customization, combining the benefits of both customization and that of mass production. Nowadays, Service Quality Function Development has become a useful approach to New Service Development (NSD) and Service Quality Management (SQM).
2.15 CONCLUSION

The various concepts of Gap analysis, process of identifying the gap, importance, implementing of gap analysis, service quality gap model, application of gap analysis, strategies and prescriptions for closing quality gaps and so on have been theoretically described in this chapter. The theoretical concepts of Gap analysis were applied and tested with the sample study units. The next chapter deals with previous research results, the fruitful suggestions and the research gap exists under the title “Literature Review”.