CHAPTER - I

INTRODUCTION
INTRODUCTION

Aim of present investigation is to examine Retail Banking Service Management Using SERVQUAL model at Delhi NCR. The real issue for marketers is to understand customers’ need which is reflected in terms of their expectations from the service provider. If a marketer is not able to understand the real need of customers, survival in the market will be limited. It is satisfied customers who will let marketer endure and flourish in the market. Hence, the issue is to understand real expectations of customers and integrate entire marketing task accordingly. If a marketer is not able to identify customers’ need, he will be assumed to be suffering from ‘marketing myopia’ and will neither be able to gain new customers nor retain existing one. Keeping in mind importance of identifying customer expectation the present study proposes to identify key factors forming the customers’ expectation from a banker and comparative strength of these factors to gain new customers and retain existing one.

We are in a quasi recessionary phase having witnessed the meltdown of January to October 2008 that has only marginally recovered. 2009 was spent in partial recovery when patch-up was done for disastrous event of “Dubai Default” that set the markets seeking cover. In 2010 Europe’s recovery package to member countries is still being questioned and the fallout is still being measured. While composing this text in 2011, US of A was seen taking a step back on the ‘right wing’ quotient. The waters are still choppy as of writing this piece. This is likely to change expectations of customer globally and thus needs fresh study. Although our economy is relatively better shielded from global recessionary trend, it is all the same important to study the situation in order to assess any likely consequences. It is only with help of carefully
conceived studies that are equally well constructed and executed, with able guidance, that one can hope to make meaningful and far reaching outcomes that are of utility to academia and industry alike. Any study in customer expectation always is helpful as previous studies lose its lustre. This is a feature of customer enlightenment helped by market conditioning.

Service quality is of utmost importance in analyzing the performance of bank branches, since their survival depends on their service quality levels they provide (Portela & Thanassolis 2006). Excellence in service quality is a key to achieve customer loyalty, which is the primary goal of business organizations, due to the advantages of customer retention (Ehigie 2006). Today, the increasing awareness among bank customers of their rights, changing demands and highly competitive setting requires constant progress in service quality from the bank for their customers to stay loyal. According to Zeithaml, Bitner, and Gremler (2006), customer expectations are “beliefs about a service delivery that serve as standard against which performance is done”.

Unfortunately, and this is where one has to tread cautiously and be ready to face flack, Kotler et al in their 13th edition (page 124) of their standard text Marketing Management have unwittingly strayed into describing quality from American Society for Quality (ASQ). American Society for Quality was established in 1946 as quality experts from whom manufacturers sought ways to sustain the many quality-improvement techniques used during wartime. This definition retains the legacy of product and production orientation relating quality in terms of features and characteristics typical of that era. Again when discussing quality improvement (page 298) the logic was further extended and manufacturing terms and references were
deployed to give indication of an incline away from customer. This era or phase is certainly desirable in as much as it leads us to the subsequent phases where customer focus as in marketing and customer satisfaction holistic/green/societal marketing is achieved as the same authors have held. Today customers are at a loss to understand the gizmos which they acquire and fail to use a small fraction of their features and characteristics. This one feels is a result of excessive focus on product features.

CUSTOMER ORIENTATION

It is widely held that a customer-oriented firm is more likely to deliver exceptional service quality and create satisfied customers. However, little research has addressed the question of how the orientation can be disseminated among employees throughout the firm. This diffusion is from top down is especially important in service firms in which frontline, customer contact employees are responsible for translating a customer-oriented strategy into quality service. Banks are a prime example. Customer-oriented organizational culture is a prerequisite if service firms are to excel in the marketplace. The present study proposes to use an established service quality model, to test a sample of bank customers which describes how the quality of services is perceived by customers as against their expectations. It looks at marketing implications, in which functional quality is seen to be a very important dimension of a service.

Word of caution: the most common of marketer’s problems are defining/understanding/verbalizing the customer’s need. Peter Druker is quoted as “customer does not want a ½ inch drill he needs a ½ inch hole”.

CUSTOMER SATISFACTION

In investigation into customer satisfaction [Robert Nash,(2006)] acknowledged that there are limitations associated with research, the most obvious limitation, being the time of year of the data collection, limitations relating to the number of responses, that this could be increased in order to obtain a more representative view of the market. Managers however have little choice except to rely on systematic research as merely recording the voice of customer is no more enough given that “customer is not always right”.

Studies in antecedents and consequences of commitment [Barbara Cater(1999)] in marketing research services consisting of three components: calculative, affective and normative and conclude that affective commitment, i.e. the attachment due to liking and identification is the only one of the three components that significantly influences customer loyalty {the others being calculative or continuance i.e. the attachment due to instrumental reasons and moral or normative i.e. the attachment due to felt obligations}. Organisations succeed by doing best what matters most to customers. Human beings seek pleasurable experiences and avoid painful ones, so tend to return to companies that meet or exceed their requirements whilst shunning organisations that fail to meet them. These self-evident truths are most easily described by the phrase ‘customer satisfaction and loyalty’.

Customers whose needs are met or exceeded by an organisation form favourable attitudes about it. Since people’s attitudes drive their future behaviours, highly satisfied customers usually display loyal behaviours such as staying with the company longer, buying more and recommending it – all of which are highly profitable to the company concerned. These lines are quoted from Nigel Hill et al
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(2007).

RELATIONSHIP OF SERVICE WITH CUSTOMER SATISFACTION

Service quality and customer satisfaction have received a great deal of attention from both scholars and practitioners because of their relevancy and relationship. According to Eshghi et al., (2008) the main reason for focusing on these issues is improving overall performance of organisations. According to Magi & Julander (1996) customer satisfaction has been studied by some researchers using a single item scale. Parasuraman et al., (1985, 1988) measured satisfaction using various dimensions for example the SERVQUAL dimensions. Customer satisfaction is defined as a function of the customer’s expectations and perceptions of performance according to the expectancy - disconfirmation paradigm (Tse & Wilton, 1988) and it is a construct closely related to perceived service quality (Magi & Julander, 1996, p.34)

Various studies that decided on a relationship between satisfaction and quality argued for different views in terms of relationship. Some think that quality leads to satisfaction, Negi, (2009) and others support that satisfaction leads to quality (Cronin & Taylor, 1992). Some researcher propose that quality and satisfaction are determined by the same attributes like Parasurman et al., (1988, p.16) tried to relate customer satisfaction to service quality since what SERVQUAL model struggles to measure is attitude. They see customer satisfaction as transaction specific meaning consumers get satisfied with a specific aspect of service while perceived service quality is a global judgement or attitude to a service. Negi, (2009) clearly points out that overall service quality is significantly associated with and contributes to the overall satisfaction of mobile service subscribers. Customer satisfaction is based on the level of service
quality delivered by the service providers (Saravanan & Rao, 2007, p.436) which is determined by the consumer’s cumulative experiences at all of the points of contact with company. This shows that there is adequate link between service quality and customer satisfaction which highlights that importance of customer satisfaction when defining of quality (Wicks & Roethlein, 2009 p.83). These studies all confirm a relationship between service quality and customer satisfaction but according to (Asubonteng et al., 1996, p.66) there is no agreement on the exact kind of relationship between the two constructs and points of out that most researchers agree that service quality and customer satisfaction have attributes that are measurable. Service quality and customer satisfaction have received a great deal of attention from both scholars and practitioners because of their relevancy and relationship. According to Eshghi et al., (2008) and the main reason for focusing on these issues is improving overall performance of organisations (Magi & Julander, 1996, p.40). Customer satisfaction has been studied by some researchers using a single item scale. Parasuraman et al., (1985, 1988) measured satisfaction using various dimensions for example the SERVQUAL dimensions. Customer satisfaction is defined as a function of the customer’s expectations and perceptions of performance according to the expectancy - disconfirmation paradigm (Tse & Wilton, 1988) and it is a construct closely related to perceived service quality (Magi & Julander, 1996, p.34). According to Asubonteng et al., (1996), due to intense competition and the hostility of environmental factors, service quality has become a cornerstone marketing strategy for companies. This highlights how important improving service quality is to organisations for their survival and growth since it could help them tackle these challenges they face in competitive markets. This means that service-based companies are compelled to provide excellent services to their customers in order to have a sustainable
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competitive advantage. There is however, a need for these organisations to understand what service quality is in order to attain their objectives. Components of service quality; the technical quality is concerned with what is delivered (outcome), the functional quality deals with the process of service delivery (how it is delivered) and the image quality which is identified as corporate image of company resulting from both technical and functional qualities of service components. The technical quality component of products unlike services is easy to assess because they are concerned with tangibility (servicescape) such as physical features that are visible to the consumer. Servicescape is defined as the physical facilities of a service company and this concept is related to the SERVQUAL model in that the tangible aspects of the physical environment are covered in the SERVQUAL model. Service escape therefore plays a great role in that it influences customers’ evaluations of other factors determining perceived service quality like empathy, reliability, responsiveness, and assurances (Reimer & Kuehn, 2004, p.785).

CONCEPTS IN MARKETING OF SERVICE AS OPPOSED TO GOODS

In service marketing literature, service quality is generally defined as the overall assessment of a service by the customers, (Eshghi et al., 2008, p.121) or the extent to which a service meets customer’s needs or expectations, Asubonteng et al., (1996). Parasuraman et al., (1985) define service quality as “The discrepancy between consumers’ perceptions of services offered by a particular firm and their expectations about firms offering such services”. If what is perceived is below expectation, consumer judges quality as low and if what is perceived meets or exceeds expectation then consumer sees quality to be high. Critical component of service quality identified are; consumer’s expectation which is seen as what they feel service provider should
offer and this is influenced by his/her personal needs, past experience, word-of-mouth and service provider’s communications, Parasuraman et al., (1985, p.49). However, this meaning of expectation is that of service quality literature which is different from expectation in the customer satisfaction literature which defines expectation as predictions made by consumer about what is likely to happen during an impending transaction. Consumers’ perception of performance is what he/she experiences, (Parasuraman et al., 1988, p.17). Generally, it is interesting to study expectations and experiences of consumers in many different contexts. It is of particular interest to study these concepts in the context of banks because banks play an instrumental role in lives of people and it is elemental for firms to know what consumers expect and perceive from these stores. Therefore, in this study, we will define consumer’s expectation as what consumers think should be offered by ideal banks while consumer’s perception will be defined as what they experienced in the banks and this is assessed after the performance. In addition, service quality is mainly focused on meeting the customer’s needs and also how good the service offered meets the customer’s expectation of it. It is however difficult according to previous studies to measure service quality because of its intangible nature and also because it deals with expectations and perceptions of consumers which is difficult as well to determine due to the complexity of human behaviour.

According to Douglas & Connor, (2003, p.166), Parasuraman et al., (1985, p.42), and Ladhari, (2008, p.172), the intangible elements of a service along with inseparability, heterogeneity and perishability are the critical determinants influencing service quality perceived by a consumer. This means that a service must be well defined by the provider in terms of its characteristics in order to understand how service quality is perceived by consumers. According to Johns, (1999, p.954), a
service could mean an industry, a performance, an output, an offering or a process and it is defined differently in various service industries. The differences in service industries are based on the characteristics of service which include; intangibility, heterogeneity, perishability and inseparability. Intangibility means there is no physical product, nothing to be touched, tasted, smelled or heard before being purchased and this therefore means that it is difficult for consumer to understand the nature of what they receive. An example would be a telecommunication company offering mobile services to consumers; here the consumer makes just calls and does not receive any physical product. In grocery stores, it is very difficult to evaluate intangibility because their activities are created around the physical products. This means that service providers must try to determine the level of intangibility of services and try to include tangible elements that could aid understanding of expectation from the consumer’s perspective (Beamish & Ashford, 2007, p.240). Heterogeneity means that, difference which comes in at the level of delivery of service due the difference in human behaviour of those offering services and the consumer. Example occurs when salesperson offers assistance to one customer at the counter, that same person cannot offer exactly the same thing to next customer because of differences in behaviours. This is why it is difficult to determine quality and level of service provided since consumers and service providers are different, the same consumer could act differently with same service provider (Beamish & Ashford, 2007, p.241). Perishability means that, since services are produced and consumed at the same time implying they cannot be stored for later usage. If service is not used then, it cannot be used again. This does not however hold in every service industry (Beamish & Ashford, 2007, p.241). An example occurs when a person books a hotel room for a night and does not use it, no other person can use at that same time. Inseparability
means services are consumed as they are purchased. An example is seen when a consumer is making a telephone call, he/she consumes the service while paying the charges. This implies that the consumer is involved in the production and delivery of the service meaning he/she takes special note of what is actually produced by the service provider (Beamish & Ashford, 2007, p.240).

Service quality is an important area to academicians because of its relevancy to service companies and therefore many researchers have tried to develop various models to measure it, even though some claim it is hard to measure because of its intangibility which is hard to quantify (Eshghi et al., 2008, p.121); (Douglas & Connor, 2003, p.171). This is why as services are intangible in nature, evaluating the customer’s perception of quality can be done through the interaction with the personnel offering services, (Magi & Julander, 1996, p.35). Interaction between consumer and service provider is very important when measuring service quality because through that interaction, the service provider could easily understand the consumer better and identify what he/she exactly wants. Sureshchander et al, (2002, p.373) state that “The veritable gains of a quality revolution come only from customer delight, which again to a very great extent depends on the customer’s perceptions of overall service quality. This is why it is imperative to understand how consumers perceive service quality and how these perceptions could affect their repurchase behaviour because through this way organisations can identify whether or not gaps exist and take corrective actions to improve upon their activities. Thus organisations can implement appropriate quality systems which could result to customer satisfaction. Service quality is an important area for practitioners because according to (Douglas & Connor, 2003, p.167), (Saravanan & Rao, 2007, p.435) the need for survival and growth in ever increasing competitive markets are main critical factors in
the search for providing superior service quality and achieving customer satisfaction. Researchers have proven that providing good service quality to customers retains them, attracts new ones, enhances corporate image, positive word-of-mouth recommendation above all guarantees survival and profitability, Negi, (2009); Ladhari, (2009). Various models have been developed to measure service quality following these approaches either attitude-based measures or disconfirmation models. According to (Shahin, p.2), it is very important to measure service quality because it allows for comparisons before and after changes, identifies quality related problems, and helps in developing clear standards for service delivery.

The SERVPERF model developed by Cronin & Taylor, (1992), uses the performance approach method which measures service quality based on customer’s overall feeling towards service. This model is good to measure service quality but does not provide information on how customers will prefer service to be in order for service providers to make improvements. Teas, (1993), developed the Evaluated Performance model which measures the gap between perceived performance and the ideal amount of a dimension of service quality, rather than the customer’s expectation. This was to solve some of the criticism of some previous models Gronroos, (1982); Parasuraman et al., (1985, 1988). Parasuraman et al., (1985), developed a model of service quality after carrying out a study on four service settings: retail banking, credit card services, repair and maintenance of electrical appliances, and long-distance telephone services. The SERVQUAL model, Parasuraman et al., (1985), represents service quality as the discrepancy between a customer’s expectations of service offering and the customer’s perceptions of the service received.

This makes it an attitude measure. What this model strives to measure exactly
is the consumer perception of the service quality which depends on the size of the gap between expected service and perceived service which in turn, depends on the gaps under the control of the service provider such as delivery of service marketing. This measurement of service quality is based on both how consumer evaluates the service delivery process and the outcome of the service, (Parasuraman et al., 1985, p.42). A good service quality is considered as one which meets or exceeds consumer’s expectation of the service (Parasuraman et al., 1985, p.46).

SERVICE QUALITY MODELS

It is obvious that customers are important stakeholders in organizations and their satisfaction is a priority to management. Customer satisfaction has been a subject of great interest to organizations and researchers alike. In recent years, organizations are obliged to render more services in addition to their offers. The quality of service has become an aspect of customer satisfaction. Satisfaction is felt as an end result of management effort that has added value. This perceived value is something that can be measured. In Services marketing literature service quality evolved into two distinct models. The European school of thought (Grönroos, C.) in 1984 maintains that consumers judge the quality of services on two broad aspects: technical quality (service outcome quality) and functional quality (service process quality). Technical quality refers to how well the core service meets the customers' expectations and functional quality refers to the impact of the interaction process or how the service production and delivery process itself is perceived. The subsequent view was an addition in image quality by The US school of thought (Zeithaml, V.A. et al) in 1996 that identifies five service quality dimensions: reliability, responsiveness, assurance, empathy, and tangibles. Reliability refers to the ability to perform the promised
service dependably and accurately. Responsiveness is the willingness to help customers and provide prompt service. Assurance refers to the employee's knowledge and courtesy, and their ability to inspire trust and confidence. Empathy refers to giving caring, individualized attention to customers. Tangibles refer to the appearance of physical facilities, equipment, personnel, and written materials. It would be appropriate to describe the difference between expectations as anticipation of facts and expectations as a reference for comparison (Salehi and Rostami, 2009). In our understanding, expectations as a reference for comparison can be used as a measure for evaluating satisfaction, especially of customers. However, from the point of view of the customer, the choice of a product is not only affected by his expectations, but is also influenced by his needs. Then we can say that expectations, not needs, are what offer customers a reason for acquiring a product or receiving a certain service. Often, customer expectation and needs may be exactly the same, and even interchangeable. To summarize, expectations may be both what people expect and what they want, and does not necessarily have to coincide with what they need.

DEVELOPMENT OF SERVQUAL MODEL

The SERVQUAL model was made of ten dimensions of service quality when created; tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding the customer, and access, Parasuraman et al., (1985, p.47-48) but later on these dimensions were reduced to five because some dimensions were overlapping (communication, credibility, security, competence, courtesy, understanding customers and access) and they included (Parasuraman et al., 1988, p.23):

Tangibles- physical facilities, equipments, and staff appearance;
Reliability- ability to perform the promised service dependably and accurately;

Responsiveness- willingness to help customers and provide prompt service;

Assurance- knowledge and courtesy of employees and their ability to inspire trust and confidence;

Empathy- caring, individual attention the firm provides its customers.

These dimensions mainly focus on the human aspects of service delivery (responsiveness, reliability, assurance, and empathy) and the tangibles of service. According to study carried out by Ladhari, (2009), it is recommended that the SERVQUAL model is a good scale to use when measuring service quality in various specific industries but that it is appropriate to choose the most important dimensions of this model that fit to that particular service being measured in order to assure reliable and valid results. In this regard, we will use this model because it takes into account customer’s expectation of a service as well as perceptions of the service which is best way to measure service quality in service sector (Shahin, 2005, p.3). Buttle, (1996, p.8) makes mentions of several researchers that have used the SERVQUAL model in various industries (retailing, restaurants, banking, telecommunication industry, airline catering, local government, hotels, hospitals, and education). He further suggests that service quality has become an important topic because of its apparent relationship to costs, profitability, customer satisfaction, customer retention and positive word of mouth and it is widely considered as a driver of corporate marketing and financial performance. In our study, we are more interested in customer expectation as a component of service quality by using the SERVQUAL model to assess them in retail banking in Delhi NCR.
CONSTRUCT OF EXPECTATION

While concurring with eminent authors Padmakali & Prabuddha (2012) state that the top management must be customer-focused and convey that attitude to employees. They, in turn, must be trained in customer service. Firms can offer incentives to encourage good service, but they must also empower employees to address customer concerns. This will not only help to improve customer service, but also make employees more satisfied with their work. Furthermore, we should point out that even though the concept of expectations is closely linked to prediction, its definition and measurement have varied over time. So, for example, research has had a tendency to deal with expectations as beliefs about the attributes that companies should have in general (Salehi and Rostami, 2009), while research in satisfaction has had to do with expectations as the degree and probability that a particular product, brand or service will have certain attributes.

In deciding on the specific dimensions to include in employee satisfaction surveys, it is vital for service managers to use instruments which tap elements which are related to service performance/quality. It is appropriate now to introduce the five variables that service marketing narrative has extensively for studies.

FIVE VARIABLES USED IN STUDY

The description of five variables are dealt in theory as per perspectives of several authors whose published works is referred below.

ASSURANCE

Jungki Lee (2005) documented the Measuring of Service Quality in a Medical Setting and noted that Institutions of medical services, just like any business, are
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undoubtedly subject to the influences of market forces. In recent years, they are under increasing pressure to demonstrate quality outcomes, excellence, and customer satisfaction. Consequently, medical service providers are being forced to address quality assurance issues in their core business in much the same way as other business organizations (Baxter, 2004). Customers of medical services are viewing themselves as consumers and are demanding value for money in their service experiences. In the medical setting, patients arrive with a set of expectations or assumptions of what they think their medical experience will be like (Strasser, Aharony, and Greenberger, 1993). The corporate world is littered with once indisputable companies done in by arrogance and inertia says David Welch (2007). Toyota’s headlong stretch for sales growth is creating quality issues. Recalls have tripled over the past three years, and the top-selling Toyota brand slipped in the latest J.D. Power & Associates Inc. study of quality.

Dealerships continue to score poorly in customer satisfaction surveys that rate the overall car-buying experience. One glaring problem: customer satisfaction. Toyota owners love their vehicles. But they protest about what happens when they're buying the car and getting it serviced. Toyota ranked 28th out of 36 vehicle brands on the overall customer experience in J.D. Power's 2006 ranking. Through its external and internal rebranding process, IU Health (formerly Clarian Health) learned the value of keeping its brand promise of assurance beyond just the launch. The health system has grown since 2010 to include 18 hospitals and 40,000 employees as per study of Holly Vonderhein, (2013). Clarian needed a unified promise and brand that could garner its strengths to address its customers’ concerns. The research was clear: The brand message had to be one of assurance so that both patients and physicians knew that they were making the right choice when decisions mattered most. Internal marketing,
public relations and communications team members were unified in the belief that in order for the brand promise to be effective, a critical mass of employees had to believe in—and deliver on—the promise of assurance.

From greeters, housekeepers and volunteers to nursing staff, radiology technologists and physicians, all employees involved in patient care and service adopted a new "look of assurance." This new look included the "team" logo on all uniforms.

Patient satisfaction reigns supreme in healthcare marketing, and satisfaction hinges upon receiving quality service from providers. Rajesh Iyer and James A. Muncy, (2004) note that other factors play a role in building satisfaction levels. Healthcare providers are evaluated on an additional set of standards based on the trust level of the patients. Patients with high trust levels place significant weight on how service providers perform on the core benefits. However, those who are low in trust rely more on peripheral cues. The implication is that healthcare providers must focus on both core benefits and peripheral cues if they want to satisfy the full range of clients they service. The word trust here is a replacement of the assurance construct that is being discussed here.

EMPATHY

Empathy writes Tripp Cindy (2013) is the launching pad for new ideas about how you might be of greater service. Empathy arrives when a company is able to put aside its own 'lens' and see through the customer's eyes. Empathy is more than just classroom jargon, it remains vital customer service. Empathy is defined as "the capacity to recognize and, to some extent, share feelings (such as sadness or happiness) that are being experienced by another sentient or semi-sentient being".
Customer empathy is making your customers feel good, or even great, by using your own personality and heart to naturally connect with them as real people that you personally value and wish to help, much like you would do with a good friend says John Jamieson (2013). It cannot be faked, manipulated or ‘trained’; it has to be genuine to succeed. His advice is not to try to change the whole culture at once. Start off by inviting a small group of people together from the top to the bottom of the organization who already have a natural empathy with customers. It must start at the top. The front line is usually already eager to connect more personally with customers but need the organization to give direction and permission. Senior executives’ buy-in can be catalyzed with some direct experiences of how their organization is currently making their customer’s feel. It is usually a salutary, if not cathartic, experience, but it does allow them to make decisions at an emotional level about how far they wish to embrace what is, in effect, a brave, new world of bringing emotions and old-fashioned human values back into business.

The study of Tareq N. Hashem, (2010) showed results that indicated that customers are aware of customer relationship marketing strategies used constructs named ‘Fulfil Promises’ has the highest impact on costumers' satisfaction, then ‘Empathy’, followed by ‘Commitment’ and finally ‘Communications’. Varca, Philip E (2009) wrote a paper which aims to examine the relationship between empathy and role stress among front line employees (FLEs). The goal was to test the hypothesis that emotionally critical aspects of the service encounter are central to role conflict. The instrument also included measures of empathy - the degree to which FLEs engaged in emotional labour during service encounters. Findings showed FLEs who reported more time spent engaged in empathetic behavior or saw empathetic behavior as critical to service quality also reported significantly higher role conflict. Practical
implications - Unfortunately, these data suggest that emotionally identifying with the customer relates to stressful service encounters for FLEs. This presents challenges to FLEs who truly identify with customer complaints and to organizations that rely on positive customer experience as a strategic tool for marketing services.

The same view is expressed by Padmakali & Prabuddha (2012) saying that different customers have different needs, wants and expectations so often the services are standardized to remove quality variations. Service quality consciousness has been described as a form of attitude that results from comparisons of expectations with performance. Quality concept is based on a comparison of the service received in relation to what was initially expected.

Lei David (2003), reports on the emergence of the emphatic organization, which involves customers intimately in the creative process of product and service development. Further, the authors review the practices of empathetic organizations to illustrate how they empower their customers, help them articulate needs and problems, and facilitate their development of personalized solutions. These organizations, termed empathetic organizations, involve their customers intimately in the creative processes of product and service development. As a result of such involvement, they learn and grow with their customers. The authors identify the distinguishing features of empathetic organizations to include organizational values, cultures, management practices, policies, and strategic approaches. The authors conclude that these unique features enable empathetic organizations to form intimate bonds with their customers, thereby providing a strong basis for pursuing focus-based competitive strategies and powerful customer loyalty.
RELIABILITY

Quality and reliability is intertwined in academic literature mostly for goods, manufacturing and marketing. Natarajan, M et al (2013) contribute a model that would facilitate the infusing of quality and reliability in new products by blending Six Sigma concept and new product development (NPD) process. They developed A model called QUARNEWSS (stands for QUA – quality, R – reliability, NEW – new product and SS – Six Sigma). QUARNEWSS blends four stages of NPD process with Six Sigma's DMAIC improvement methodology and belt-based training infrastructure. After designing, QUARNEWSS was adopted to infuse quality and reliability in a new product being developed at a compressed air treatment products manufacturing company. The implementation experience indicated that QUARNEWSS could act as a vehicle for systematically infusing quality and reliability in new products. The contribution of QUARNEWSS model through this paper is valuable on considering the fact that modern customers demand new products with high degree of quality and reliability.

While conducting mean and variance structural analysis to compare the restructured SERVQUAL model with the extended SERVQUAL model Jun Ma (2007) noted that the model fit indices indicate that both models have a good fit. The results indicate that the restructure model is closer to the data than the extended model. This study confirms and reconciles suggestions that appeared in previous studies. This study restructures SERVQUAL as a multilevel construct and the three primary dimensions can be described as tangibles, process, and outcome of service quality. By restructuring SERVQUAL, we gain a better understanding of the structure and dimensionality of service quality, the author writes. Future studies should test the
restructured model in different industries to gain generalizability.

Srinivas Durvasula et al (2005) wrote a paper that makes a detailed comparison of two major financial services in Singapore: life insurance and stockbrokerage. Relationships of perceptions and expectations of service quality, mean service adequacy (MSA) and mean service superiority (MSS) with service satisfaction and loyalty are examined. Results indicate that the reliability aspect of service quality is strongly related to satisfaction and loyalty in the stockbrokerage industry, while the assurance aspect of service quality enjoyed a similar status in the life insurance industry. Results also confirm that while MSA and MSS both drive satisfaction and loyalty, perceptions of actual service have the strongest correlations with those behavioural outcomes. The findings of this paper present some interesting managerial implications.

**RESPONSIVENESS**

Future e-banking penetration and the success of complex financial product adoption will be dependent on proactive online marketing campaigns coupled with increased website responsiveness. Online banking providers can make the process of using e-banking more enjoyable by enhancing website interactivity and creating unique online experiences.

Mary Loonam et al (2008) in their research paper highlights the value of the uses and gratifications categorisations system, which provides a key platform to the study of e-service quality and offers e-banking providers a more effective system of serving individual customer e-service needs. While information and transaction gratifications were deemed key to online banking, enjoyment gratifications held limited associations, thus emphasising its functional nature. User group
categorisations had a direct impact on online behaviour in terms of time spent evaluating in addition to the level of customer pro-activity.

The lodging industry was studied by Festus Olorunniwo et al (2003). Their research paper builds on the premise that utilizes a methodology suitable to produce operational measures for the service quality construct. Of the four dimensions (Responsiveness,

Recovery, Tangibles, and “Reliability/Trust mixed with Accessibility/Flexibility”) identified by an exploratory factor analysis, the study finds that the first three appear to be distinct in the minds of the customers. Further confirming the above, regression analyses suggest that the overall perceived service quality in the lodging industry is significantly and positively associated with three dimensions: (1) Responsiveness, (2) Recovery, and (3) Tangibles, in that decreasing order of importance

Relationship marketing has been recognized as a new paradigm in marketing. Although the practice of relationship marketing has expanded rapidly across the globe, most of the published researches in this area of study are based on data collected from North America or Europe. R. Mohan Pisharodi et al (2003) did a research that studies the association between ‘relationship strategy’, ‘relationship effectiveness’, and ‘responsiveness’ to customer needs using data collected through the administration of the One-to-One Gap Tool (Peppers, Rogers, and Dorf 1999) in the Indian service sector. The results of statistical analysis using LISREL provide strong support for the positive connection between relationship effectiveness and responsiveness to customer needs.

Because of the importance of mail order activity in predicting participation in
AT&T programs such as Opportunity Calling, the "high mail order responsiveness" of individuals needed to be validated. The study conducted by Gary F. Beck (1990) found the relationship between direct mail responsiveness and responsiveness to AT&T promotions other than Opportunity Calling. Finally, through quantitative research and creative mail tests, they opined it would be desirable to identify the right message component to optimally "talk to" each of the segments that this analysis has identified. This would include developing messages for those non-direct mail responsive individuals, who just may respond if the message was custom-tailored to their needs.

**TANGIBLES**

On a general level firms compete for competitive advantage via their tangible and intangible resources. The research by David H. Henard et al (2010) recognizes that much of the innovation literature centres on the tangible impact that new product development initiatives have on outcomes of innovation. Yet research investigations of the less tangible facets of innovation, such as reputation for product innovation (RPI), remain relatively uninvestigated despite their promise as a source of sustainable competitive advantage. This research contributes to the literature several ways. This study investigates the effects of a corporate RPI and its impact on consumers. Consumer involvement levels are proposed to mediate the relationship between RPI and consumer outcomes. Empirical results indicate that a high consumer perceived RPI, via the involvement construct, leads to excitement toward and heightened loyalty to the innovative firm. The study by Rajesh Nair et al (2010) makes an attempt to find out the Service quality of Banks in Navi Mumbai. It tries to look whether there is gap between customer expectations and perceptions of service
SERVQUAL, used in Service marketing is used in the study. The study found the customers are unsatisfied in all the parameters of tangibles especially in the component “Neat Appearance” leading to recommendation of using tangibles to enhance satisfaction.

**RELATIONSHIPS BETWEEN VARIABLES**

Research was done by Dash, Satyabhusan (2009) to investigate the relationship between Canadian and Indian consumers' national cultural orientations and banking service quality expectations. Using two of Hofstede's five cultural dimensions operationalized at the individual level, and five dimensions of service quality from Parasuraman et al.'s SERVQUAL scale, the aim was to develop and test hypotheses relating national culture values to service quality expectations. The results show that the importance of various SERVQUAL dimensions was related to Hofstede's power distance and individualism cultural dimensions both at the individual and national levels. More specifically, consumers low on power distance expects highly responsive and reliable service. High power distance customers attach higher importance to tangible service attributes. Consumers high on individualism expect lower empathy and assurance from service providers. Furthermore, Indian consumers attach higher importance to tangible attributes, whereas Canadian consumers find service reliability more important. However, differences in overall service quality expectations are not significantly different across the two countries. The results suggest that managers must be aware of the cultural values of the buyer/client in order to fully understand the most effective means of establishing and
nurturing the service delivery process and, consequently, establishing service quality expectations. Banks will be more successful when service delivery was in tune with cultural imperatives, particularly sub-group cultural imperatives.

**COUNTER VIEW ON SERVQUAL**

In spite of the large body of pioneering work, a counter view is available on the merits of SERVQUAL. One such by Anne M. Smith, (1995) says that the conceptual, methodological and interpretive problems which have been identified with respect to SERVQUAL suggest that the instrument is now of questionable value for either academics or practitioners. In terms of item content, the majority of researchers have omitted from, added to or altered the 22 statements purported to measure service quality. This observation questions the extent to which the items themselves are generic to all industries and the usefulness of the instrument as an element of a research programme. Similarly, researchers have consistency failed to identify the five underlying dimensions—reliability, responsiveness, empathy, assurance and tangibles.

**ALTERNATIVE VIEW**

According to Gitomer (1998), great service is anything extra that you can do for your customer that will make them take notice of you and say WOW! He presents many examples of this kind of service in the book, such as the hotel that calls ahead of a visitor to see if there is anything they can have prepared for you upon your arrival, or the tire store that has someone greet customer in the parking lot with an umbrella when it’s raining. WOW! Service will in turn generate free word-of-mouth advertising that will in turn help build the business. Plus the customers will be not merely satisfied when the next opportunity rolls around for them to purchase a
particular good or service - they will be loyal. The most important determinant of providing WOW! Service is attitude and self-motivation, and the author talks throughout the book about how to improve one's knowledge and positive attitude about the business they are in.

**PRACTICAL ANGLE**

There is evidence that pursuit of satisfaction alone does not always translate to business development. On the contrary studies are available that call for restraint on managers who show excessive customer orientation. Practicing managers should not focus solely on one stakeholder (i.e., customers) but take a wider perspective and consider other stakeholders, as well as shareholders. They further refer to studies by Luk et al. (2005) and Morgan et al. (2005) who warn of the negative effects of extremely customer oriented policies. Furthermore, firms cannot sustain such policies over time because of the perverse effects they have on financial performance, as well as on brand image. Conversely, investors that observe the firm's excessive concern with the relationship with its customers should be aware that such behaviour may signal managerial entrenchment, which will erode financial results and brand image over time.

We could say that if we manage to take customer expectations into consideration, we will have satisfied customers (Tam, 2005). This argument makes sense when we think of satisfaction as a psychological variable that depends on how the individual perceives his own reality. In general terms, the customer is moved by reasons and emotions and, at the same time, considers the attention the service offers. In this sense, it seems that expectations are a relevant term.
BUSINESS SET BACK FROM LOST CUSTOMER

Premise 1

- For every customer complaint recorded, there are 3 who have exited without a wispier (only 25% record their complaints)
- Every exiting customer bad mouths to 5 other potential customers

Therefore 1 Complaint = 3 non complaining lost customer + 1 complaining lost customer = 4

10 Complaints = 40 lost customer

Customers vaporised by bad mouth = 40*5 = 200 lost customer

Therefore 10 complaints = business set back from 240 lost customer

Premise 2

Tweaking the previous premise a little for a different business and customer scenario:

- For every customer complaint recorded there are 9 who have exited without a wispier (only 10% record their complaints)
- Every exiting customer bad mouths to 8 other potential customers

1 Complaint = 9 non complaining lost customer + 1 complaining lost customer = 10

10 Complaints = 100 lost customer

Customers vaporised by bad mouth = 100*8 = 800 lost customer

Therefore 10 complaints = business set back from 900 lost customer

The % of customers complaining may depend on:
Introduction

- Cost of product
- Ease of access to product
- Availability of alternatives
- Importance of product to customer
- Awareness of customer on previous complaints on product/organisation

Exiting customers who are likely to bad mouth to other potential customers depends on:

  - Local culture of information exchange
  - Value of product
  - Availability of alternatives

OTHER INDUSTRY PERSPECTIVE

Qin and Prybutok (2009) investigated the relationship among service quality, food quality, perceived value, customer satisfaction and behavioral intentions in fast-food restaurants. The results indicated that reliability/responsiveness, tangibles, assurance, and recovery are slightly more important than empathy. CEOs regularly announce ambitious growth targets, then fail to achieve them. These corporate steroids boost short-term earnings but alienate customers. They undermine growth by creating legions of detractors - customers who complain loudly about the company and switch to competitors at the earliest opportunity. Loyalty expert Fred Reichheld (2006) shows how to reverse the equation, turning customers into promoters who generate good profits and true, sustainable growth. The key is one simple question - Would you recommend us to a friend? - that allows companies to track promoters and detractors and produces a clear measure of an organization's performance through its customers' eyes.
Many managers seem to inherit piecemeal Customer Satisfaction Measurement systems when they take on a new role. Whatever situation it’s good to be able to get up to speed on this sometimes complex topic quickly advises Nigel Hill (2007).

According to Asubonteng et al., (1996), due to intense competition and the hostility of environmental factors, service quality has become a cornerstone marketing strategy for companies. This highlights how important improving service quality is to organisations for their survival and growth since it could help them tackle these challenges they face in the competitive markets. This means that service-based companies are compelled to provide excellent services to their customers in order to have a sustainable competitive advantage. There is however, a need for these organisations to understand what service quality is in order to attain their objectives.

In service marketing literature, service quality is generally defined as the overall assessment of a service by the customers, (Eshghi et al., 2008, p.121) or the extent to which a service meets customer’s needs or expectations, Asubonteng et al., (1996).

Parasuraman et al., (1985) define service quality as “The discrepancy between consumers’ perceptions of services offered by a particular firm and their expectations about firms offering such services”.

Evaluations of service quality have pointed out limitations in the accurate measuring of customer perceptions due to the following factors: customer perception variability (CHIOU et al, 2005), and imprecise scales (YANG et al, 2004; DENG, 2008).
BANKING INDUSTRY PERSPECTIVE

Service quality is of utmost importance in analyzing the performance of bank branches, since their survival depends on their service quality levels they provide (Portela & Thanassolis 2006). Excellence in service quality is a key to achieve customer loyalty, which is the primary goal of business organizations, due to the advantages of customer retention (Ehigie 2006). Today, the increasing awareness among bank customers of their rights, changing demands and highly competition requires constant progress in service quality from the bank for their customers to stay loyal.

According to Zeithaml, Bitner, and Gremler (2006), customer expectations are “beliefs about a service delivery that serve as standard against which performance is done”.

Unfortunately, and this is where one has to tread cautiously and be ready to face flack. Kotler et al in their 13th edition of their standard text Marketing Management have unwittingly strayed into describing quality (page 124) from American Society for Quality (ASQ), formerly known as American Society for Quality that was established in 1946 as quality experts from whom manufacturers sought ways to sustain the many quality-improvement techniques used during wartime. This definition retains the legacy of product and production orientation relating quality in terms of features and characteristics typical of that era. Again when discussing quality improvement (page 298) the logic was further extended and manufacturing terms and references were deployed to give indication of an incline away from customer. This era or phase is certainly desirable in as much as it leads us to the subsequent phases where customer focus as in marketing and customer
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satisfaction holistic/green/societal marketing is achieved as the same authors have held.

Today customers are at a loss to understand the gizmos which they acquire and fail to use a small fraction of their features and characteristics. This one feels is a result of excessive focus on product features.

Quality is such a heady term that dealing with it needs utmost care. Care should be taken in not only defining and constructing dimensions, fits & tolerances but also keeping it open to change as it is only the expectation of customer that determines its totality. Managers have to build boundaries to be able to establish themselves, as not having limits defies logic in a tightly spaced and resource restraint environment. Yet they have to be nimble enough to make course correction as the black box of consumption and hence customer expectation unfolds.

Dr. Wiersema (2002) argues that the most effective companies are now gaining customers by employing more than one of the original disciplines. The basic point is that technology has permitted such substantial productivity gains that there is a lot of excess capacity with low costs. As a result, what companies have to manage is getting customers. Those are the scarce resource. Peter Drucker once said that the purpose of a business is to create a customer. What does seem different now is that people go to greater lengths to add customers.

Dr. Wiersema (2002) says that new aspects include:

- Creating a larger-than-life market presence;
- Seeking out customers who stretch capabilities;
- Ensuring that the customer obtains full benefit from your offerings
• Acting more boldly (this often means having outsized ambitions).

Obviously, the drawback of this approach is that if the business environment turns out differently than the forecast (the norm, not the exception) one is likely to crash and burn.

**ONTLOGICAL & EPSTEMOLOGICAL ASSUMPTIONS**

**ONTLOGICAL ASSUMPTIONS**

Ontology refers to assumptions held about the nature of social reality that is, whether reality is objective and external to the individual, or whether it is subjective and cognitively constructed on an individual basis (Long et al., 2000). It involves what exists in the world. These positions are frequently referred to respectively as objectivism and constructivism.

**OBJECTIVISM**

Objectivism is an ontological position which states that, social phenomena confront us as external facts that are beyond our reach or influence. This means that social phenomena and the categories that we use in everyday discourse have an existence that is independent or separate from actors (Bryman & Bell, 2007, p.22).

**CONSTRUCTIVISM**

Constructivism is an alternative ontological position which asserts that social phenomena and their meanings are continually being accompanied by social actors.

Realities are constructed by the social actors (Bryman & Bell, 2007, p.23). According to

Bryman & Bell, (2007, p.24), categories that people employ in helping them
understand the world are considered social products, in which are meanings are constructed in and through interaction.

In relation to our study, we believe that there is a reality that can be apprehended or perceived; customer satisfaction and service quality do exist out there and are external to the consumers that perceive these realities. This tilts our study towards an objectivist way of looking at social phenomena. It is a clear fact that companies strive hard to improve service quality and customer satisfaction. We are convinced that satisfaction could be one of the imminent effects of good service quality. These realities of service quality and customer satisfaction can be captured out there by trying to find out how consumers perceive service quality thus resulting to customer satisfaction. We will use structured questions developed from the SERVQUAL model in which respondents will choose their answers from. Through this method, we will be very objective in our study and thereby answer our research questions and attain our objectives. We are not seeking to understand each respondent’s perceptions but rather get a general answer on consumers’ perceptions and expectations by using an already designed model. We are going to classify perceptions into levels where each respondent identifies the range where he/she belongs by using the likert scale.

**EPISTEMOLOGICAL ASSUMPTIONS**

Epistemology can be defined in a broad sense as the study of knowledge (Bryman & Bell, 2007, p.16). In the extremes, knowledge can be viewed as objective and theoretically accessible to all, or else subjective and dependent on individual experience (Long et al., 2000). The conflicting issue with epistemology is whether or not the social world should be studied according to the same principles, procedures
and ethos as the natural science (Bryman & Bell, 2007, p.16). Positivism advocates the application of the methods of natural science to the study of social reality and beyond. According to Bryman & Bell, (2007, p.16) positivism can entail the following principles:

**PHENOMENALISM**

The principle of phenomenalism which states that only phenomena and hence knowledge confirmed by the senses can genuinely be warranted as knowledge.

**DEDUCTIVISM**

The principle of deductivism which states that the purpose of theory is to generate hypotheses that can be tested and that will thereby allow explanations of laws to be assessed.

**INDUCTIVISM**

The principle of inductivism which states, knowledge is arrived at through the gathering of facts that provide the basis for laws.

**OBJECTIVE**

**SCIENTIFIC STATEMENTS V/S NORMATIVE STATEMENTS**

There is a clear distinction between scientific statements and normative statements and a belief that the former are true domain of scientist.

According to Bryman & Bell, (2007, p.17) some writers influenced by different intellectual traditions think that interpretivism which contrasts positivism
shares a view that the subject matter of the social sciences – people and their institutions is fundamentally different from that of the natural science. This implies that studies of the social world require an approach that differentiates humans against the natural order.

In a nutshell, interpretivism is concerned with the empathic understanding of human action rather than the forces that act on it while positivism lays emphasis on the explanation and understanding of human behavior (Bryman & Bell, 2007, p.18).

In this study, we will follow a positivist view of epistemology. We are going to assess customer satisfaction in banks using the SERVQUAL model basing on previous studies from where we obtain more knowledge. This topic is dealing with social phenomena, which are service quality and customer satisfaction from the customers’ point of view. This knowledge will be developed through an objective measurement using the measurable dimensions of service quality as proposed by Parasuraman et al., (1988). Service quality and customers’ satisfaction are realities that exist outside the researcher’s mind and we are trying to study these using methods of natural science.

There is connection between theory and research in our study implying that we will collect observations in a manner that is influenced by pre-existing theories. However, we have to take an epistemological stand because some pre-existing theories are not genuinely scientific and must be applied in observations. We are interested in finding out if the SERVQUAL model is applicable in banks context and identifying what dimensions of service quality consumers are satisfied with. Taking a positivist view will enable us attain our objectives mentioned earlier.

From our positivist view, we the researchers and the objects of investigation
(respondents) are independent from each other and they will be investigated without being influenced by the researcher. We will limit interaction with the respondents to mere handing of the questionnaires to respondents in order to make the findings fully dependent on the respondents.

On the basis of desk research, it is clear that understanding customers’ expectation is very significant for a marketer to ensure customer satisfaction. But meanwhile it is also very true that expectations of different customers are not identical. A particular feature of service may be of utmost importance for one customer and at the same time, it may be of least importance for another customer.

This tendency of customers puts marketer in a flux.

Further we perceive that state of economy drives expectations. As discussed earlier, we are in a recessionary stage. This is sure to change the expectations of customer. Hence is need of market research to identify broad elements of customers’ expectation and their comparative strength, so as to formulate marketing strategy. Present study will take banking industry in Delhi & NCR to find out customers expectation from Retail Bankers.

**QUALITY – SERVICES – SERVICE-QUALITY**

There is no single clear-cut definition of quality. It has different meanings for different individuals mostly due to its subjective nature.

The interpretation of service-quality largely depends on certain characteristics of the service (such as intangibility, uniqueness, inseparability, uncontainability).
THE DEFINITION OF QUALITY

Numerous researchers and scientific associations have tried and are trying to define the concept of quality based on different aspects. It is safe to say, however, that as of this day we do not have one uniform definition. The main reasons of it are found in the below characteristics of the quality is objective and subjective at the same time, it can only be generalized to a limited degree, among its factors there are specifications, which can be measured; and others, that only can be appraised, quality can mean a technical-efficiency level and any departure there from (condition), it has perceivable use effects and effects that the purchaser does not consciously perceive.

Quality originally was connected to tangible products and as supported by Juran’s “fitness for use” (Juran, 1988) and Crosby’s “zero defect” theory (Crosby, 1979). Later this interpretation expanded lineally as well and experts started to apply the notion of quality (and its criteria) to all elements of the production chain, creating products or services, rather than to one product. In other words, they addressed the quality of the entire production or utilization process (e.g. in assessing the quality of a product, the production-, sale-, and customer service procedures are taken into consideration as well). Feigenbaum defined the quality of a product or a service as „the total composite product and service as “characteristics of marketing, n gineering, manufacture, and maintenance through which the product and service in use will meet the expectations of the customer” (Feigenbaum, 1991, p. 7.).

The successive development was characterized by a shift towards the service quality of intangible products (such as research and development, engineering). As the significance of services in the economy grew, quality also started to have an ever-expanding importance in the sector. Quality was interpreted relevant to the full
spectrum of the service sector: from industrial services (e.g. telecommunication), through personal and small-business services (e.g. hair salons) to public services (such as education and health care). One constant component of the quality definitions is meeting customer expectations or demands. Be it a product or a service, suitability to meet customer demands is a significant, if not the most important, element of the concept of quality. As Freund put it: “the characteristics of a product or service that bear on its ability to satisfy stated or implied needs” (Freund, 1985, p. 50.) Pursuant to Deming’s interpretation, quality „exceeds” the expectations of the buyer during the lifetime of product (or service). In his opinion the concept of quality has no meaning, unless it composes (frames) the expectations of buyers (Deming, 1986).

**APPROACHES TO DEFINING QUALITY**

Majority of the definitions are originated by the etymologic interpretation, which holds that quality is a status, a characteristic, the fitness or the value of performance. In Garvin’s definition quality means the totality of the above factors (Garvin, 1984). Among the multiple definitions of quality, beside the above comprehensive interpretation, further interpretations are possible according to the direction or the main factor of the definition. Garvin (1988, pp. 41-46.) on this basis defined the five quality approaches as follows: Transcendent: quality can only be determined by empirical experiences, e.g. we can only judge the work of a fine artist (the work quality) if we look at his work. Product-based approach: quality is defined by the existence or lack of certain characteristics. If the product or quality – from the viewpoint of the person making the judgment – has advantageous, desirable characteristics, the customer will find it a high quality product or service. Manufacturing-based approach: quality means that the product or the service in the
course of manufacturing conforms to the predetermined expectations and specifications. If the specifications are not met, the quality is poor. This approach presumes that the product or service specifications are closely connected to the buyers’ expectations, and compliance with those will determine customer satisfaction.

User-based approach: quality is determined by the user. Meeting the customer’s expectations is the central criteria of the concept of quality. This approach is parallel to the “marketing concept” of Kotler (1998), which states that the primary objective of an organization is to fully satisfy the customer. Value-based approach: quality is determined by the rate of the efforts, the customer must exercise to receive the service or to possess the product (e.g. money, searching) and the gain (value) derived from using the service or acquiring the product. Acquiring a certain product at a reasonable price will make the customer perceive that quality is higher (feeling that it is worth it), than purchasing the same product at a high price.

STRATEGIC QUALITY

As we could see, there are several theories on quality, but –regardless of the chosen definition– we must avoid interpreting it as a well-sounding but empty phase. On the organizational level quality and quality-consciousness is a strategy, which is implemented in the organization, pervading and following the procedures. Tenner and DeToro held that quality is “a basic business strategy that provides goods and services that completely satisfy both internal and external customers by meeting their explicit and implicit expectations” (Tenner and DeToro, 1992, p. 31.).

DEFINITION OF SERVICES

A uniform definition of service has not been developed up to this day. Beside theoretical constructions, several classification structures are accepted in the
professional literature. The most accepted definition approaches the concept from the activity side of the service. Pursuant to this approach service is the result of such activities, which facilitate that the condition of a person, object, information –maybe process– is maintained (repaired), forwarded, stored, supplemented, improved or transformed, without changing its basic character. The result of the service usually cannot be stocked up, and no new product in a physical-objective form is produced. It usually does not take a physical-material form, rather is manifested by improving or maintaining the condition of economic units, objects or persons. Pursuant to Kotler service is an act or performance provided by one party to the other which fundamentally is not materialized and does not result in creating ownership over things. Its production is either connected to the physical product or not. (Kotler, 1998, p. 515.). According to this definition there are five groups:

Clearly physical product (e.g. computer); Physical product with collateral services, where the services are connected to the materialized product (such as services connected to selling computers e.g. maintenance warranty services); (3) Hybrid offer, where the offer is a mixture of the physical product and the services (such as clothing store which offers alteration); Material service with minor collateral services and physical products (such as wellness hotel service, containing the hotel service, physical products and other collateral services (catering, pool services); Clearly service, such as consultancy. A definition of service – in line with concept the ISO 9000:2000 standard-family – may also be derived by defining the procedure. Procedure is the series of activities which transform inputs to outputs. Accordingly, from a certain input, via the service procedure a certain output is formed in case of services too. Service can be interpreted as the result an activity that takes place where the supplier and the customer interact with each other, and generally is not tangible.
CLASSIFICATION OF SERVICES

Different classification systems have emerged originated by the different definitions of service. Discussed below are the sectoral, marketing, statistical and the economic typologies.

SECTOR BASED CLASSIFICATION

Browning and Singelmann (1978) grouped the economic activities into three sectors.

The first-tier sector includes agriculture, fishery and mining; the second-tier includes the processing industry (building, food industry, textile industry, metal industry, chemical industry, other production, and public works). Services are approached as the third-tier economic sector and within this four classes are created:

Distributive services: as indicated by the name, the services with a distribution nature provided to other sectors, producers or service providers; such as transportation, storage, telecommunication, wholesale and retail commerce.

Production services: services provided to other sectors or to other producers, service providers, which are connected to production and providing services, facilitate and support the operational process; such as financial services, insurance, building services, invoicing, accountancy, legal services and other business services. Social services: services aimed at satisfying individual or social needs (medical and health care services, hospitals, education, welfare and religious services, non-for-profit organizations, postal services, government, consultancy and social services). Personal services: services provided to individuals (household services, hotels, housing, restaurants, liquor stores, repair services, laundry and cleaning service, hair salons,
beauty salons, entertainment and holiday services, other personal services).

**MARKETING-BASED CLASSIFICATIONS**

Cook and his associates (1999) maintained that in determining service classes, both the marketing-oriented and the operation-oriented approaches need to be applied. The marketing-based approach sets forth the following classification criteria: intangibility, object of transformation, differentiation, type of customer, commitment. While the activity-based approach applied the criteria of: customer contact, customer involvement, labor intensity, degree of customization, degree of employee discretion and the production process.

Source: Proceedings of the Twelfth Annual Conference of the Production and Operations Management

**SERVICE CHARACTERISTICS AND THEIR EFFECT ON SERVICE QUALITY**

While consumers can always touch, try or return the product, if it does not meet their needs or the applicable standards, services are more complex in this regard. Let us take a bank client for example, who would like to make a transfer by phone. On one hand the client only “meets” the service for a very short time period, since submitting a transfer order only takes a couple of minutes. There is no real connection between the client and the “product”. By hanging up, the client ceases to have any effect on the processes. He/she does not see how the service is in fact provided, only perceives the results in the form of a debit notice, but has no saying on whether the transfer is made in two days or within the hour. On the other hand while in manufacturing several tests may be completed, in case of services quality may not
measured without the consumer, which makes quality improvement a lot more complicated task. Due to specificities of the services, evaluating their quality is extremely difficult.

Service quality is harder to evaluate for the customers than the quality of products, because the person evaluating the service typically does not have the necessary expertise to do it or there are no objective measures. Customer judgment is rather subjective and it is affected by psychological factors, prior experiences and word-of-mouth. Suppliers face more difficulty if they want to explore the expectations they have to comply to. In case of some services -such as immaterial service-results like educational or development services- the customer can only circumscribe his/her expectations.

**APPROACHING SERVICE QUALITY CONCEPTS**

Concept of service quality while during industrial production the quality (the totality of the products’ characteristics) and fitness (features deemed material or the prescribed, determinable and measurable features) may be clearly separated, in case of services differentiation is more complicated. Accordingly, in determining service quality, personal subjective judgments play a more substantial role. Relevant to the above quality-fitness duality, the set of characteristics expected by the individual corresponds to the quality side, and the actual subjective judgment on the material service qualities, to the fitness side. Service quality is determined by comparing the expectations with the perceived performance, that is, by disconfirmation. This correlation was the starting point of many researchers (Parasuraman et al., 1985, 1988, 1991a, 1991b, 1994a, 1994b) and one of most accepted service quality models, SERVQUAL, is based on this premise too. The real challenge of defining service
quality is originated by the difficulty of determining which characteristics or dimensions should be evaluated by the customer, and by the problems of deciding how to interpret the degree of the given characteristic, that is, the expectations formulated relevant to them. According to the Gap-model the perceived service quality is “the degree and direction of the discrepancy between consumers’ perceptions and expectations” (Parasuraman et al., 1988, p. 17.). In other words, expectations are clearly determined by the individual customer.

RESEARCH QUESTIONS

To solve the problem of identifying customers’ expectation and their comparative strength in affecting customers’ satisfaction, the problem is divided into three major questions, which are as follows:

What are the major customers’ expectations from a banker?

Is there any order or sequence of factors based on their importance? If yes, then what is the comparative strength of these factors (of expectation)?

Whether demographic variables (age, gender, education, income and occupation) affect customers’ expectations from a banker or not?

- To identify factors affecting customer expectation from retail banker
- To examine comparative strength of these factors

To evaluate influence of demographic variables on customers’ expectations from a banker.

The factors being considered is clubbed in three groups:

Financial – rate of interest, service charges, other charges [F]
Technological – speed, accuracy, security [T]

Individual – behaviour, comfort, convenience, accessibility [I]

The attempt was to study banks of three types namely:

- Nationalised or Public Sector [N]
- Private or NBFC [P]
- Overseas or Foreign [O]

However during the pilot study, as described in later chapter, Overseas or Foreign banks were excluded from the study.

WORD ASSOCIATIONS OF ‘EXPECTATION’

Our usage of the English language is unique. We as researchers and the educated elite who have the privileged of viewing this text have one set of understanding of the language. However there is another class who are affluent, to say the least, and hence active consumers of products but have rudimentary grasp of language largely due to the limited exposure and also vernacular medium of primary and secondary education. As the legacy of the colonial rulers fade away a new understanding and usage of the language has emerged. The research is focused on the larger market consisting of individuals who are well to do and not too language conscious. Hence the traditional understanding available in popular marketing journals requires certain reorientation to adapt to the research. With this background one has to view some of the words that will be frequently used during this article and for that purpose the process a word association chart will help. Since the topic of research has the word expectation we try to establish the word association or connotation and understood by customers.
EXPECTATIONS

**Association**: Probability, Prospect, Belief, Anticipation, Hope

**Word Probability**

**Association**: Likelihood

**Word Prospect**

**Association**: Hope, Panorama, Vision

**Word Belief**

**Association**: Conviction, Confidence, Trust, Credence, Certainty

**Word Anticipation**

**Association**: Hope, Eagerness, Keenness

**Word Hope**

**Association**: Expect, Anticipate, Optimism, Trust

The extant literature uses Expectation quite extensively. Expectations are beliefs about the level of service that will be delivered by a service provider, and they are assumed to provide standards of reference against which the delivered service is compared (Zeithaml et al., 1993). Although service quality researchers originally viewed expectations as strictly a normative standard (e.g. Parasuraman et al., 1985, 1988), more recent studies suggest at least two additional types of expectations (Boulding et al., 1993; Zeithaml et al., 1993).

Thus, three types of expectations are discussed below:

**INFORMATIVE**

Normative expectations are conceptualized as the level of service that would be expected from an excellent service provider (Zeithaml et al., 1990). The normative standard has been variously operationalized as the wished for level of performance
(Miller, 1977), the level at which the consumer wants the product to perform (Swan and Trawik, 1980), what the customer thinks should happen in their next encounter (Boulding et al., 1993), the optimal product performance for which a consumer would ideally hope (Tse and Wilton, 1988), and how a brand should perform in order for the consumer to be completely satisfied (Prakash, 1984). Empirically, normative expectations have been found to be negatively related to service evaluations. Using correlation analysis, Tse and Wilton (1988) found normative expectations to have an indirect (through perceived performance which will be discussed later) and negative effect on satisfaction ($r = 0.24$, $p < 0.05$). Boulding et al. (1993) found normative expectations to have a negative effect on perceptions of the service (the standardized regression coefficient was $-0.17$, $p < 0.05$). Babakus and Boller (1992) found the correlation between normative expectations and PSQ to be negative, but not statistically significant ($r = 0.01$). Thus, empirical evidence suggests that normative expectations are negatively correlated with perceptions of service quality yielding coefficients ranging from approximately 0 to approximately 20.20.

**PREDICTIVE**

Predictive expectations are conceptually defined as the level of service that consumers expect to receive from a given service provider in a given situation. Consumers’ predictive expectations are generally lower than their normative expectations (Boulding et al., 1993). However, predictive and normative expectations might be equal if consumers believed that the service provider with whom they are interacting is an excellent service provider. Predictive expectations have been variously operationalized as the expected standard (Miller, 1977), predictive expectations (Swan and Trawik, 1980; Prakash, 1984), a product’s most likely performance (Tse and Wilton, 1988), and will expectations (Boulding et al., 1993).
Predictive expectations have been found to be positively related to service evaluations. Tse and Wilton (1988) found the correlation between predictive expectations and satisfaction to be 0.39 (p < 0.01). Boulding et al. (1993) reported the predictive standard to have a standardized regression coefficient of 0.38 (p < 0.01). Voss et al. (1998) found that predictive expectations had a positive effect on perceived performance and satisfaction (standardized structural coefficients of 0.51 and 0.23, respectively). Thus, the empirical evidence suggests that predictive expectations are positively related to PSQ with a correlation coefficient of approximately 0.40.

In studies that have included both a predictive and normative operationalization of expectations, predictive expectations have been found to be better predictors of PSQ than have normative expectations. See, for example, Boulding et al. (1993) who found predictive expectations to have regression coefficients of 0.38 and 0.87 (both with p < 0.01) over two periods of a longitudinal study when used as a predictor of service evaluations. The coefficients for normative expectations over the same time periods, however, were 20.17 (p < 0.05) and 20.24 (p < 0.01).

**MINIMAL (Adequate expectations)**

Adequate expectations represent consumers’ perceptions of the lowest acceptable level of service. Adequate expectations have been conceptualized as the lowest level of service consumers expect to receive (Zeithaml et al., 1993) and minimum tolerable expectations (Miller, 1977). A lack of empirical research leaves the issue of whether adequate expectations are positively or negatively related to PSQ open to further investigation.