

Chapter Two

2. Literature review

2.1 Introduction

This chapter discusses what service quality means from different academic points of view, why it is important for organisations to understand service quality, how customers evaluate it and the linkage between high perceived service quality and customer satisfaction.

Furthermore, it also discusses why service quality needs to be measured to understand the customers' expectations and perceptions in order to gain numerous advantages. In addition to that, it discusses service quality conceptual models and issues around those models.

Finally, this chapter will lead to an understanding of how service quality measurement instruments evolve, specially the SERVQUAL instrument; and why there are some concerns about measuring service quality using the SERVQUAL instrument.

2.2 Service Quality

Most of the products available in the market are made up of a combination of tangible goods and intangible services. In some businesses, service is the essential part of business activity; in other businesses, service is simply supporting the tangible goods (Dale 1999).

Zeithaml and Bitner (2000) identify the services as deeds, processes and performances. Therefore, services have their own intrinsic qualities which distinguish them from goods. Parasuraman, Zeithaml and Berry (1988) emphasise that knowledge about goods quality is insufficient to understand service quality due to three intrinsic characteristics of services namely *intangibility*, *heterogeneity*, and *inseparability*.

Parasuraman et al (1988) further explain that services are performances or experiences and therefore intangible. The personal qualities of service providers often lead to variable levels of services and therefore heterogeneity. Quality in services mostly occurs during the service delivery and therefore services are inseparable from production and consumption. Zeithaml and Bitner (2000) introduce *Perishability* to the list by arguing that services cannot be saved, stored, resold or returned.

Berry and Parasuraman (1991) emphasise that in a service business the four Ps marketing strategy (Product, Place, Promotion and Price) have no use without a Q (for quality).

In the total quality management literature, Deming (1998) and Crosby (1980) emphasise the advantage of quality in two different ways. Deming (1998) advocates that organisations need to create consistency of purpose towards improvement of products and services with an emphasis on improvement in quality to become competitive, stay in business and provide jobs. Deming (1998) argues that quality pays off in the forms of increased profit and reduced cost.

Conversely, Crosby (1980) states that 'quality is free' by arguing that the benefits of supplying quality products and services pay off in the form of business profits which are worth more than the money spent on quality improvement programmes. However (Dale 1999) suggests that quality is not the competitive weapon it once was as it is now expected as a given requirement of any product or service.

Bearden and Teel (1983); Buzzell and Gale (1987) found a positive relationship existing between high-perceived service quality and customer satisfaction. The positive relationship between perceived service quality and customer satisfaction creates true customers, increases efficiency and benefit from increased market share and profit, heavy sales volume, higher revenue and reduces costs by economies of scale, (Anderson and Sullivan, 1993; Zeithaml, Parasuraman and Berry, 1996).

Satisfied customers do not switch their service providers and therefore costs of retaining existing customers are significantly lower than attracting new customers.

These customers spread their satisfaction by positive word of mouth which influences non-existent customers' desires to engage with the organisation and work as free promotional agents (Grönroos 2007, Zeithaml and Bitner, 2000).

Low-perceived service quality leads to loss of sales and profits as customers switch to competitors (Ghobadian and Speller, 1994; Zeithaml *et al*, 1996; Yang, 2003). This dissatisfaction is spread by negative word of mouth resulting in loss of sales and profits (Kumar and George, 2007). This research also examines whether this relationship of high perceived service quality and loyalty exist within the retail supermarket context.

Conversely, domestic and global competition forces organisations to look into new ways to create and sustain competitive advantage (Porter, 1998). The *performance* is the most important competitive weapon in service organisations that could distinguish one organisation from another, as an organisation can differentiate itself by satisfying customers' needs better than its competitors (Zeithaml et al ,1990; Porter,1998).

During the last two decades, academics (Grönroos, 1984; Parasuraman, Zeithaml and Berry, 1985; Cronin and Taylor, 1992; Teas, 1993) have examined the key attributes of service quality, and how to measure them and stressed that for any organisation to compete successfully it needs to understand the customers' expectations and perceptions of service quality as this influences the customers' choice of service provider, satisfaction and loyalty.

2.3 Service Quality theory

Service quality is defined as the result of the comparison that customers make between *expectations* about a service and *perception* of the way the service was delivered (Lehtinen and Lehtinen 1982; Grönroos 1984; Parasuraman, Zeithaml & Berry1985).

Brady and Cronin (2001) identified that the foundation of service quality theory has some connection with the product quality and customer satisfaction literature based on the *disconfirmation paradigm* identified in physical goods literature (Cardozo 1965, Churchill and Surprenant 1982; cited by Brady and Cronin, 2001).

The disconfirmation paradigm indicates the size and direction of a person's initial expectations in relation to the experience received (Churchill and Surprenant 1982; cited by Parasuraman et al, 1985). Therefore the disconfirmation is the size of the gap between prior expectation and the actual performance received. Directions are; positive, negative and zero disconfirmations. When a service is performed better than expectation, a positive disconfirmation occurs resulting in satisfaction and when a service is below the expectation a negative disconfirmation occurs resulting in dissatisfaction. When a service is performed as expected zero disconfirmation occurs (Churchill Surprenant, 1982; cited by Parasuraman et al 1985).

By building on this theory, Grönroos (1982) states that customers' compare the service they expect with the perception of service they receive when evaluating the service quality (Parasuraman et al 1985). In an exploratory research of service quality Parasuraman et al (1985) state that a perceived service quality is the result of a comparison between what consumers consider the service should be and their perceptions about the actual performance delivered by the service provider. Parasuraman et al (1988) defined *perception* as customers' beliefs concerning the service received and the *expectation* as desires or wants of customers perceived.

2.4 Development of Service Quality Models

Understanding the key ingredients of service quality and the best way to measure and fulfil it is a keenly debated area in service marketing and as a result there are some 'service quality models' especially the 'Perceived service quality model' (Grönroos 1984) and the 'Gaps model' (Parasuraman 1985) which have emerged and evolved within the past two decades.

2.4.1 Grönroos (1984) Perceived service quality Model

According to Grönroos (1984), the service quality experienced by a customer has two dimensions; namely *technical* quality and *functional* quality. Functional quality describes *how* the service is delivered and technical quality describes *what* the customers received during a service delivery.

The organisation's image works as a filter and can thus positively or negatively modify the customers' perception of service quality. Grönroos (2007) acknowledged that the model was intended to offer a conceptual framework to understand the features of service and is not a measurement model.

Grönroos (2001) identifies a list of determinants of good service quality and argues that the list needs to be short but comprehensive for it to be useful for managerial purposes. By expanding the argument, Grönroos (2007) emphasises that the following 'seven criteria of good perceived service quality' (Appendix-Exhibit 1) are the determinants that need to be considered when evaluating the service quality of any organisation.

1. Professionalism and Skills
2. Attitudes and Behaviour
3. Accessibility and Flexibility
4. Reliability and Trustworthiness
5. Service Recovery
6. Serviscape
7. Reputation and Credibility

However the above 'seven criteria of good service quality' concepts have very similar characteristics to the Parasuraman et al (1985) 'Ten Determinants of service quality' (Appendix – Exhibit 2) which identified from a series of focus group discussions.

2.4.2 Parasuraman et al (1985) Gaps Model (Base of the SERVQUAL)

Parasuraman et al (1985) view perceived service quality as a gap between the customers' perception of the received service quality and the customers' expected level of service quality (Service quality = Perception – Expectation).

The central focus of the Gaps model is the 'customer gap'. (Zeithaml and Bitner, 2000) and Parasuraman et al (1988) have devised an instrument known as the SERVQUAL instrument (a questionnaire) to measure it.

The instrument consists of twenty two questions of twenty two attributes (Appendix – Exhibit 3) to measure the customer gap or gap between the customers’ expected and the perceived service which was later reduced to 21 questions.

Parasuraman et al (1988) cited that the nature of the characteristics customers use to evaluate the quality of goods is different when they evaluate the expected service and perceived service quality and stress the necessity of identifying the characteristics that represent the evaluative criteria customers use to assess service quality.

Therefore in earlier research Parasuraman et al (1985) identified 10 characteristics (determinants) which customers used to evaluate service quality based on a series of focus group sessions. Later Parasuraman et al (1988) reduced the ten determinants into five specific dimensions (Table 1) after discovering that there was a considerable correlation among the original ten determinants. Parasuraman et al (1990) claimed that those five are distinct dimensions of service quality which the SERVQUAL instrument is based on.

1. Reliability – ability to perform service dependably and accurately
2. Responsiveness – willingness to help and respond to customer needs
3. Empathy – the extent to which caring and individualised service is given
4. Assurance – ability of staff to inspire confidence and trust
5. Tangibles – physical facilities, equipment, staff appearance, etc

Table 1: Five dimension of service quality

Berry and Parasuraman (1991) have found that reliability has repeatedly emerged as the most critical dimension when measuring the relative importance of the five dimensions using the SERVQUAL questionnaire in ten studies and claim that the ‘Reliability’ dimension is the essence of service quality or the very core of service marketing excellence. However, there are some concerns for this claim. (Babakus and Boller, 1992) argue that the most critical dimension and the number of dimensions are dependent on the industry in which service quality is being measured. This study is also to test whether this is true or false in a super market context.

2.5 The SERVQUAL Instrument (questionnaire)

The SERVQUAL instrument has been widely used in measuring service quality in many research studies (Babakus and Mangold, 1992; Carman, 1990; Cronin and Taylor, 1992; as cited by Parasuraman et al, 1993). According to Brown, Churchill and Peter (1993) also the SERVQUAL is the most popular measure of service quality, which involves the calculation of the difference between expectations and perceptions on a number of specified determinants. After an evaluation of four alternative service quality models Brady and Cronin (2001) state that the SERVQUAL instrument appears to be distinct from the others as it uses one or more determinants to measure the service quality.

Parasuraman et al (1994b), acknowledged that the SERVQUAL instrument has been used productively and widely for measuring service quality in many published studies examining service quality in a variety of contexts, including Banking, Pest control, Dry cleaning and Fast food (Cronin and Taylor 1992); A Gas and Electricity Company (Babakus and Boller 1992); Discount and Department Stores (Finn and Lamb 1991; Teas 1993).

Taylor and Miyazaki (1995) argue that some measure of perceived performance is important in assessing service quality; but it is difficult to obtain accurate data especially for services where the customers are unable to evaluate the key attributes of the service. Another argument concerns the difficulties of measuring service quality because it is inherently subjective, due to its *Intangibility*, *Heterogeneity*, *Inseparability* (Parasuraman et al 1985) and *Perishability* (Zeithaml and Bitner 2000). However Deming (1998) argues that *accuracy*, *speed*, *dependability* and *care in handling* are important characteristics of service quality and are as easy to quantify and to measure as the quality of manufactured products.

Criticisms

Grönroos, (1990); Mangold and Babakus, (1991); Richard and Allaway, (1993) criticise the SERVQUAL instrument stating that it mainly focuses on the service delivery process.

Using only functional quality attributes to explain or predict consumers' behaviour might be a misjudgement of service quality as it does not represent all the service quality attributes of a service encounter and therefore has low predictive validity (Grönroos 2001, Babakus and Boller, 1992; Carman, 1990; Cronin and Taylor, 1992).

Cronin and Taylor (1992) and Teas (1993) questioned the effectiveness of SERVQUAL in evaluating service quality and criticised the measurement of service quality through the SERVQUAL questionnaire. However, Parasuraman et al (1994) claim that diagnostic ability is the major practical benefit of the SERVQUAL model, as the purpose of measuring service quality is to diagnose the service shortfalls which need attention or actions.

Parasuraman et al, (1988) state that the five dimensions which make up the SERVQUAL questionnaire are distinct dimensions and categorised the 21 questions in to those five dimensions. Therefore each question of 21 questions of the SERVQUAL questionnaire belongs to one distinct dimension. Bagozzi (1981) emphasises that according to the *convergence and discrimination rule* 'items representing a distinct dimension should correlate highly with each other in a uniform pattern, and should not correlate as strongly with items representing another dimension' (Babakus and Boller, 1992:258). Therefore this research also tests whether the SERVQUAL five dimensions support the above rules.

Caruana, Ewing and Ramaseshan (2000) argue that on the SERVQUAL 9 point scale, respondents mark their desired service quality level nearer to the high end and adequate service quality level nearer to the low end of the scale. Then they tend to mark the perception of service quality in between the desired and adequate level though it is possible to mark a number below the adequate level. This makes a variance restriction which limits the full use of the 9 point scale.

Cronbach and Furby (1970) cited by Babakus and Boller (1992) argue that when respondents are asked to rate their desired and existing level at same time some psychological constraints occur. By building on the above argument, Brown, Churchill and Peter (1993) argue that when respondents are asked to rate their desired and perception (two different scores) level on a particular attribute, respondents tend to rate the desired level higher than their perceptions due to the above psychometric problem.

The SERVQUAL questionnaire is also based on measuring the desired and perception level of 21 attributes (SERVQUAL score = Expectation – Perception) and therefore this research also tests whether the alleged psychometric problem is present in the SERVQUAL instrument.

In essence, the SERVQUAL questionnaire is the most widely used and debated service quality measuring instrument evolved during the past two decades.

2.6 Summary

This chapter discussed the nature of service quality and identified it as the customers' comparisons of what is expected and what is delivered from a service provider and how the organisations could benefit in numerous ways by providing a good service quality.

The chapter identified the different service quality models and their advantages and disadvantages. Grönroos (1984) laid the foundation for a greater understanding and debate of service quality by introducing the 'perceived service quality model'. Later Parasuraman et al (1985) introduced a new model known as the 'Gaps model' and a service quality measuring instrument known as the 'SERVQUAL' (Parasuraman 1988). As a result, academics divided into two schools of thought either; *Nordic* or *American* (Kang and James, 2004). However, both the Nordic and the American perspectives agree on the difficulty of measuring service quality due to four intrinsic characteristics of service itself.

Finally, it discussed why it is necessary to identify the validity and the reliability of the SERVQUAL questionnaire to measure the service quality and the rationale behind it.

The next chapter will discuss the methodology that the researcher adopted to answer the research question and aims and the theoretical underpinning of it.